# FEDERAL ADVISORY COUNCIL

ON

# REGIONAL ECONOMIC DEVELOPMENT

TWELFTH MEETING--JUNE 8. 1976



WASHINGTON, D.C.

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**TWELFTH MEETING--JUNE 8, 1976**


**Elliot L. Richardson**
**Secretary of Commerce and Chairman**
**Federal Advisory Council**

John W. Eden
Acting Special Assistant to the Secretary and
Executive Secretary
Federal Advisory Council

**U.S. Department of Commerce**


**WASHINGTON, D.C.**

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# INTRODUCTION

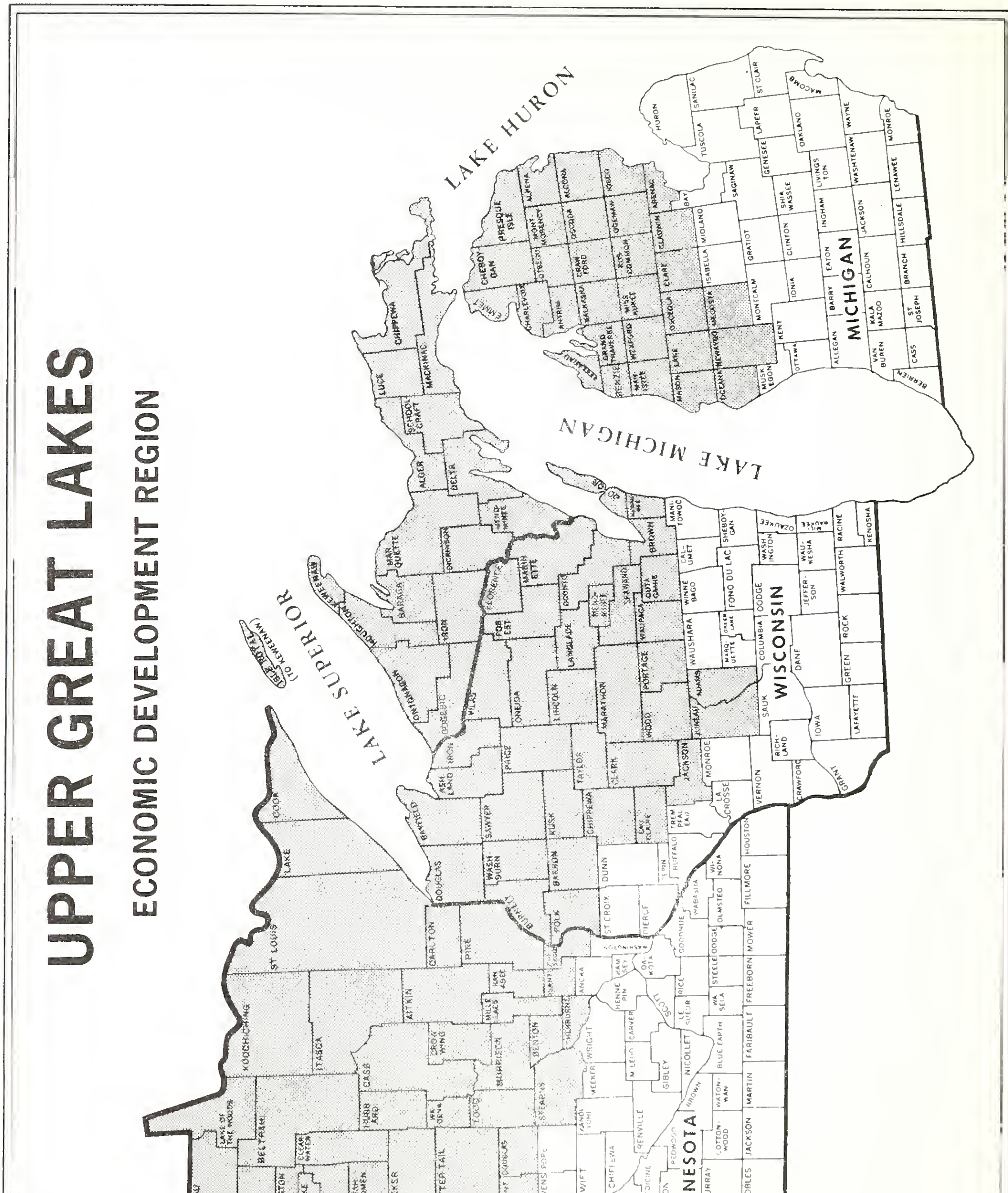
The Federal Advisory Council on Regional Economic Development was convened on June 8, 1976, to discuss the updated regional economic development plan of the Upper Great Lakes Regional Commission.

In 1970 the Federal Advisory Council had offered suggestions and recommendations to the Commission with respect to the original plan. In due course the plan was approved by the Secretary of Commerce, and during the past five years, has been the basis upon which funding decisions have been made by the Commission.

In a re-evaluation of the original document and analyses of the economic changes in the region, the Commission has chosen to extend for three years those programs provided for in the existing document which are essential for the region's growth and to undertake new programs in energy and transportation. The document under discussion in these proceedings reflect that decision.

Based upon the Federal Advisory Council's recommendations, the Upper Great Lakes Regional Commission will revise the updated document and submit it to the Secretary of Commerce for approval.

Members of the Federal Advisory Council on Regional Economic Development represent Federal agencies charged with administering domestic development programs. The Federal Advisory Council provides guidance to the regional commissions in their efforts to effectively influence the growth of their regions. There are eight regional commissions: the Appalachian Regional Commission, established under the Appalachian Regional Development Act of 1965, as amended, and the Coastal Plains, Four Corners, New England, Old West, Ozarks, Pacific Northwest, and Upper Great Lakes Regional Commissions, established under the Public Works and Economic Development Act of 1965, as amended.


UPPER GREAT LAKES
ECONOMIC DEVELOPMENT REGION
LAKE SUPERIOR
LAKE HURON
LAKE MICHIGAN
MINNESOTA
WISCONSIN
MICHIGAN

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Raymond C. Anderson
Federal Cochairman
Upper Great Lakes Regional Commission


Agency participants at the Federal Advisory Council meeting.

# PARTICIPANTS AT THE MEETING OF THE FEDERAL ADVISORY COUNCIL ON REGIONAL ECONOMIC DEVELOPMENT

## June 8, 1976

The meeting was called to order and presided over by Mr. John W. Eden, Acting Special Assistant for Regional Economic Coordination and Executive Secretary of the Council.

Steven R. Myers
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Planning Division
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Robert G. Davis
Director, Intergovernmental Regional and Special Programs
Federal Energy Administration

Dennis Gehley
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Salim Kublawi
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Ward Miller, Jr.
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Pacific Northwest Regional Commission

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Federal Cochairman
Upper Great Lakes Regional Commission

Roy Fingerson
Special Assistant
Upper Great Lakes Regional Commission

William R. Etheridge
Industrial Research Specialist
Small Business Administration

Victor Roterus
Consulting Economist
Tuscon, Arizona

Jean Jaeger
Secretary of the Regional Policy Committee of the European Communities
Head of the Division "Coordination" in the
Directorate General for Regional Policy of the European Economic Community Commission

# AGENDA FOR TWELFTH MEETING OF THE FEDERAL ADVISORY COUNCIL ON REGIONAL ECONOMIC DEVELOPMENT

Moderator: John W. Eden
Acting Special Assistant to the Secretary for Regional Economic Coordination

Acting Executive Secretary, Federal Advisory Council on Regional Economic Development

Time: 9:30 a.m., June 8, 1976

Place: Room 4833, Main Commerce Building

I. Opening Remarks: John W. Eden

II. Development of Upper Great Lakes Regional Commission Plan:

Honorable Raymond C. Anderson
Federal Cochairman, Upper Great Lakes Regional Commission

Mr. Victor Roterus
Consulting Economist

Mr. Roy Fingerson
Special Assistant to the Federal Cochairman

III. Individual Agency Comments on the Upper Great Lakes Plan:

Discussion Leader: Mr. Eden

IV. Concluding Comments: Mr. Eden

John W. Eden, Acting Special Assistant to the Secretary for Regional Economic Coordination (right), responds to a question from a participant while Ray C. Anderson, Federal Cochairman of the Upper Great Lakes Regional Commission, looks on.

# OPENING REMARKS

Mr. EDEN: We might not have everyone here, but I think we ought to start. We have a lot to cover.

My name is John W. Eden. I serve as Secretary Richardson's Special Assistant for Regional Economic Coordination.

I am very pleased to welcome all of you and to express my thanks for the time that you have taken on the Upper Great Lakes plan and for your participation today.

This is the second meeting we have had of the Federal Advisory Council in the last six months or so, and I think it is an excellent forum for a discussion of the issues raised by these regional plans.

It is unique in that all agencies of government interested in regional development can come together and focus on one plan.

I do not know if there is any other discipline in government operating on a regular basis that brings together the different Federal departments on a single objective like this. I think you will find it an interesting morning.

I have had the privilege of attending one of the meetings of the Upper Great Lakes Commission in the region. I know it to be an interesting and unique organization, and I can assure you that your comments will be taken with great seriousness by the group today.

I would like to make a couple of announcements before we get underway. We have had the addition of two other representatives in this group, namely, representatives from the FEA and the Energy Research and Development Administration, ERDA. They have been invited to join this group.

Bob?

Mr. DAVIS: I am Bob Davis, Director of Intergovernmental Regional and Special Programs, Federal Energy Administration.

Mr. EDEN: Thank you, Bob, for coming.

ERDA? No one seems to be in attendance.

I would like to introduce Dr. Jean Jaeger, Secretary of the Regional Policy Committee of the European Communities. Dr. Jaeger is with us on an exchange program. We will be sending Mr. Richard Greer from the Senate Public Works Committee to Europe for a period of time to observe their regional economic activities. Dr. Jaeger is here with us for a month, or longer?

Dr. JAEGER: A month.

Mr. EDEN: He is here to observe the kind of things we are doing and attempting to do in regional economic development. It is good to have you here, Dr. Jaeger.

Dr. JAEGER: Thank you.

Mr. EDEN: This is the second plan you have been asked to review. We realize that this is not an easy thing to do—to analyze these plans and make comments. We appreciate the time that you have taken to do this. Your comments and recommendations have been most helpful and we appreciate your efforts.

This is the season for the upgrading of these plans. We have another meeting scheduled in August to discuss the Old West Regional Commission plan, and coming up after that will be the New England plan.

We will try to stagger them for you. It makes very good summer reading.

I would appreciate it if we could go around the room and have everyone introduce himself and state the name of your agency. Then, we will turn the meeting over to Ray Anderson, Roy Fingerson, and Victor Roterus.

*(The members attending introduced themselves.)*

Mr. EDEN: It gives me great pleasure to introduce the Honorable Raymond C. Anderson, Federal Cochairman, Upper Great Lakes Regional Commission, who will make some introductory remarks.

# UPPER GREAT LAKES COMMISSION
# REGIONAL DEVELOPMENT PLAN

## Introductory Remarks

Mr. ANDERSON: It is a pleasure for me and my staff to be with you today to present the updated Upper Great Lakes Commission Regional Development Plan.

As you are well aware, the previously approved plan of December 19, 1970, had a five-year cycle, which in effect expires this month, and last year we began a re-evaluation of the overall framework of the plan to assess its relevance for the years ahead.

After consultation with the State members, we set out to examine the primary areas which the Commission had deemed essential to the development of the Region, in terms of their continued importance, the impact of the Commission's program during the five-year period even though it had amounted to only about 10 percent of the funds deemed necessary for a truly regional impact, and finally what changes had occurred in the Region during this time.

As we completed this first phase of the analysis, we were immediately confronted with two problems.

First, it was apparent that the history of out-migration the Region had experienced in the past several decades was not continuing into the 1970's. Was this a major reversal or just a temporary phenomenon? Secondly, the Region in 1974 and 1975 was beginning to reach the bottom of the national recession and the pockets of severe unemployment made it difficult to judge where the real long-term trend was going.

With these cloudy issues to resolve, we made the basic decision to review the program's impact during the five years and to extend for three years those elements of the recommended program still deemed of importance to the Region and then include any new elements which had not previously been taken into account.

The document now under review is, therefore, an extension of the 1970 plan with new priorities in energy and transportation, principally railroads, leaving aside the question of developmental highways. I want to emphasize that over the next three years we will be examining the possible basic changes in the Region's economy and the related economies of the rest of our States and the Midwest and the regional development needs associated with these studies.

Finally, I wish to point out that, as Mr. Fribley of the Ozarks Commission said at the last meeting, the preparation of a regional plan is a process and not a final, set-in-concrete, program for immediate implementation. Rather, we view it as a framework for year-by-year

refinement through annual investment strategies and establishment, with the cooperation and help of the Federal agencies, of specific project investments which fit the plan and enhance the development of our Region.

With that preface, I should like at this time to introduce the members of my staff who will present details of this interim plan. They are my Special Assistant, Roy J. Fingerson, and Victor Roterus, the Commission's Consulting Economist. Vic is now Visiting Professor of Planning and Regional Development at the University of Arizona. Many of you know him or of him as a pioneer in the field of economic development. He has been closely associated with the Upper Great Lakes Region since its origin.

Please feel free to inject any questions or comments as the presentation is made.

At this point, I would like Vic to take over with the presentation of the details, and I repeat that everyone should feel free to inject any questions or to make any comments that they want to make during the course of the presentation. Vic?

## Discussion of Extension of 1970 Plan

Mr. ROTERUS: As Mr. Anderson has stated, the present plan and the program present simply an extension of the original 1970 plan and five-year program that was embraced in that plan.

It was decided, as Mr. Anderson said, to take a look at the unfulfilled program at this time—in mid-stream, so to speak—with the idea of ascertaining whether it is still headed for the other shore, and what the likelihood was of getting to the other side of the river.

Hence, it is appropriate at this time to review briefly in the slide presentation which we are going to make here, five phases.

First, the goals that were set in the 1970 program; in other words, where did we want to go?

Secondly, the planning strategy that was adopted in order to implement the goals.

Third, the program formulation and project selection, which was a matter of actually getting to the objective we wanted.

Fourth, the execution of the program and what has happened to the economy of the region during the execution of this 1970 program.

And, then, finally, what the three-year extension of the new program embraces.

So, with that general outline, I think we can go to the slides.

One of the first matters that was taken up at the initial meetings of the Commission was the matter of goals.

There was general and almost instant agreement that the major problem of the region was unemployment, and that the efforts of the Commission should be addressed to that problem.

It was felt that income was ancillary to that problem, and once the employment problem was licked, income also would be improved, and perhaps later, attention could be given to income, but the priority was with respect to employment.

At the initial meeting, a task force of representatives of the three States, Michigan, Wisconsin, and Minnesota, and a member of the Cochairman's staff was appointed to look into the matter of goals.

The approach was to project what was happening into the future. 1980 was the date chosen, and we were to view that against what might be desirable at that time. The first projection was 1960, using the 1960–rather, 1950 to 1960–trend; it came out to a projection of 937,000 jobs. That is without the program.

However, the task force looked at the figures available for 1966 and 1967, which were available from the State Employment Security Offices, and these indicated a kind of abrupt change for the better in the employment trend of 1960 to 1965. Hence, a more optimistic trend projection based on those newer figures was drawn which, in 1980, indicated that without the program there would be some million jobs available.

Then, the University of Michigan Population Studies Institute was asked to project to 1980 what the population would be and what the labor force and employment derivation would be if you made two assumptions.

One was that there would be no net out-migration in 1980, and this had been a condition that was pandemic during 1950 to 1965, and secondly, we would assume a 4 percent level of unemployment.

With that formula, the University of Michigan Population Study group made this projection and indicated that to attain what we called an optimum target it would be necessary to have 1,209,000 jobs.

This would result, in their estimation, in a 4 percent unemployment rate and a condition of no out-migration of people from the region, a condition that has been persistent for decades.

Next slide.

The strategy adopted was basically two-fold, but the principles underlying that strategy were discussed at a meeting with the Governors and it was agreed that, above all, the thrust of the program would be to encourage private investment. Second, the program would be based on the uniqueness of the resources of the region; third, the program would contribute to national growth as well as to regional growth; and fourth, although the emphasis was on growth, yes, that growth would not take place to the detriment of the environment.

With those principles, it was decided that the program would evolve around two main elements: the development of the lake and scenic resources of the Region and, second, the development of business and industrial possibilities in the Region.

In that connection, it was decided that the business and industrial-type investments would be concentrated in urban places of 10,000 population or more. At that time, the conventional wisdom was that the growth center would be about 250,000 population or more, to be self-generative of growth. The feeling in the Upper Great Lakes was that we wanted a better spread of development, and towns of 10,000 population or more could well accommodate industry. They had educational facilities, transportation facilities, municipal facilities, financial services, and trucking services, so that they could well accommodate industrial development. This presaged the present trend of industry toward smaller towns away from big conglomerations.

Those were the two basic thrusts of the so-called export-type industries. Under each of those two major headings were sub-programs.

The first thing that the Commission did was to seek project suggestions from State agencies and public and private groups. When these came in they were all thrown in the barrel, and they amounted to over a billion dollars.

So the feeling immediately was that we had to make selections from among those submitted. The University of Michigan, Bureau of Business Research and Development, was asked to set up a model based on these general criteria: employment generation, seasonal effects, location in a growth center, contribution to essential regional infra-structure, impact on environmental quality, and so forth. The model appears as an appendix in the present plan and is developed with weights and values by classes and specific project types.

Within this framework, we were able to whittle down the barrel of projects to a manageable and practical size.

This was the original five-year program.

There is too much detail in this slide, but it is spread over five years, at a clip of about \$70 or \$80 million a year, under business and industrial development and lake and scenic resource development. There are also headings on industrial development fund, resource industry development, transportation, manpower and education, and scenic access and development. It involved a Federal expenditure of \$382 million that was to be matched by \$164 million in State and local funds.

Slide.

In making the recommendation of the Federal expenditure, it was decided to take a look at what the actual expenditures were in the region.

Fortunately, the OEO made the first of its classic studies of expenditures where you could trace them by counties.

By looking that data over, we found that this bar here shows that the Federal government spent \$567 per capita in the Upper Great Lakes in 1967, whereas they spent, the Federal government spent, \$861 per capita in the United States at large.

In the 15 largest metropolitan areas, the expenditure was \$948 per capita.

So, although the Federal government didn't have a policy of centralization or decentralization, it's expenditures reflected an unprecedented policy decentralization. Actually, it's expenditures reflected an unprecedented policy of concentration, so realistically the Upper Great Lakes Region, and I think most of the other lagging areas, were, in a sense, being short-changed by Federal expenditures, which was reassuring in view of the fact that we are proposing a program with \$300 to \$400 million Federal expenditures to try to close that gap.

Next slide.

The program that was adopted—Federal, State and local expenditures of \$547 million—was then arrayed against this trend projection, without the program against our optimum target of no net out-migration and only a 4 percent unemployment rate, and it was found that the \$547 million program would close part of the gap.

This gap was 165,000 jobs, whereas the proposed program would provide at a rough estimate some 100,000 jobs, and it was felt that this more modest objective was more appropriate.

Because the program was new, it could be reviewed as we went along and perhaps some more innovative things would come up and, furthermore, it was thought that Congress and the Administration would not go along with more than about the amount that was suggested.

Slide.

What has actually happened since the adoption of that program?

The expenditures proposed were $546 million. Actually investments made by the Upper Great Lakes Commission from 1968 to 1975 have amounted to $48 million.

That was used in conjunction with other agencies' projects. By supplementing projects of cooperating agencies–supplementing the "local" share of State and local governments–the Upper Great Lakes and these agencies expended a total of $197 million.

In other words, in about seven years, although the bulk of the expenditures were made from 1970 to 1975, some 36 percent of the $546 million was actually expended by the Upper Great Lakes and the agencies with which it worked.

Slide.

This map, which is not very useful at this juncture, simply shows the various programs: manpower, industrial development, transportation, recreation, tourism and community development.

In the report it is distinguishable and the appendices contain a listing of projects by programs.

This simply shows a fairly even distribution.

The project investments were then compared to the urban center, which I mentioned had been selected at 10,000 population and over. You can see that there is a fairly even spread of these urban centers. There are a few places where there is quite a gap between them, but, in general, they cover the Region quite well.

It was found in assessing the projects from 1968 to 1970 that the bulk of the projects were concentrated in the counties having urban areas. Sixty percent of the total investment went to 25 percent of the counties, counties with urban centers, so that there was a concentration, to a degree, in the so-called growth centers.

The industrial-type projects went mainly to the urban centers, but projects involving manpower training, involving health, were spread throughout the rural areas in the belief that even though they did not have growth centers, and even though some of those areas might continue to have out-migration, this was a nationally endorsed program, and it was far better to have these people trained and in good health when they went to Chicago and Detroit. They would be better able to compete for jobs and not go on city welfare, which has happened so much in New York.

So, contrary to accepted growth center theory, we concentrated a good many of the training projects and health projects, community development projects, in non-urban areas.

This map shows the changes in population which Mr. Anderson indicated was quite a revolutionary thing. We saw signs of it in 1966 and in 1967 from the employment security data.

Simply, on this map the white area shows that the areas increased substantially faster than the United States average population, and the only decrease occurred in these counties in the dark blue, I think some nine counties.

These counties had an increase, but less than the United States average, and these areas here, all of northern Wisconsin, exceeded the U.S. average.

This is shown clearly in the table, the 1970 to 1974 change in population, for the Upper Great Lakes Region had an increase of 7.4 percent as compared to an increase of 4.3 for the United States.

And an interesting thing was that the southern parts of these States, the Minneapolis-St. Paul area, the Milwaukee area, the Detroit-Ann Arbor-Lansing area, grew at a lesser rate than the Upper Great Lakes Region, which was again a reversal of past form.

The amazing thing during the period was that the migration path changed from out of the Region into the Region.

The net migration from 1970 to 1974 amounted to 5.2 percent of the 1970 population as against a slight loss, again, in the southern parts, which are usually regarded as the much more prosperous parts.

With respect to per capita income in the Upper Great Lakes Region—again the percentage increase, this is of course current dollars, not allowing for inflation—from 1969 to 1974, the increase was 57 percent in the Region as a whole, as against only 46 percent in the United States. So there was a gain in the Region relative to the United States.

In 1974, however, the income was still substantially below the level of the United States—81 percent of the United States average.

However, in 1966 the percentage had been 75 percent of the United States average, so there was a substantial gain in per capita income as well as in population.

Mr. ETHERIDGE: Small Business Administration. What data do you have on living costs in the three States of the Upper Great Lakes Region?

Mr. ROTERUS: We don't have very good data. The feeling is that the living costs are less. The people grow some of their own groceries and people work, do a lot of odd jobs in the summer for summer tourists and that sort of thing. They are paid in cash, and it is not reported as income and things of that sort. So, we think the actual effective income is higher than it is, but we do not have any hard data to prove it.

The employment changes are very interesting. The number in the labor force increased 9 percent during the 1970 to 1973 period, based on employment security data. The number of employees, although it grew, grew at a lesser rate than the labor force so, accordingly, the unemployed jumped from 5 percent up to 8 percent during the period.

Now, the only way we can explain that is threefold. One, that this Region has traditionally had a large number of hidden unemployed, using labor force participation rates. We estimated that hidden unemployed in 1970 amounted to about 60,000 workers. Well, as soon as jobs open up the hidden unemployed or the discouraged workers come out and say they are willing to work and look for work. They officially become members of the labor force, so you have that addition.

The women's participation rate in the Upper Great Lakes has been considerably less than the United States average. It used to be 45 percent nationally, whereas in the Region, it was only 29 percent. Again, we think that the reaction there has been something like the hidden unemployed. As the jobs opened up, more would join the labor force.

Finally, a fairly important factor is what I call the "return of the natives." These are the people who left the Region and then returned as jobs opened up. This is generally true in Appalachia, I believe, and I know it is true in Puerto Rico. As soon as jobs opened up with Operation Bootstrap, they began drifting back from New York to Puerto Rico.

Well, the same thing happened in this Region.

As a matter of fact, it usually happens during depressions. When there are big layoffs, the young people return home and live with the folks during the depression era. Now, with the jobs opening up, you had a good many people who had left the Region and who wanted to come back if there were jobs, returning to the Region.

All three of these elements have upper limits.

They are not continuing. These are among the reasons that we are reviewing the whole situation before we come out with a more ambitious plan. We want to see how the situation stabilizes over the long run. We now have the University of Michigan Population Studies Group working on future projections, and they are somewhat puzzled by the trend. They are consulting with Calvin Beal over in Agriculture, who has done yeoman work on demographic trends in the country, and we are interested to see how this will happen.

They think it will stabilize, and once you run the gamut of these three factors that I mentioned, the employment level will begin to come down.

Finally, here is a recapitulation of the proposed extension of the 1970 program, or the new three-year program.

It consists of two elements, Federal infra-structure expenditures on training, tourism, natural resource development, etc., and secondly, on financial incentives for private industrial developments.

We think this is very important, and if you review the experience over in Western Europe, you will find that they started pretty much like our programs—like ARA, and EDA with public investments in infra-structure—but their programs, eventually, came up with such things as tax incentives, tax credits, 100 percent rapid amortization in England and Canada. In reviewing that experience, we came up with these two alternative incentives for private investment: One we call the start-up grant for lagging areas, and this is taking the place of the tax credit.

The advantage of the start-up grant is that it would be simply a grant to a private firm for locating in a lagging area, up to 20 percent or at whatever the percentage is fixed.

Right now, we do have tax credits which are nationwide, and during the Korean War, we had a fast write-off in order to get private industry to build defense facilities. We had rapid amortization and then, late in the game, a bonus was given for rapid amortization if the firm located a plant in the area of labor surplus—a bonus of about 25 percent of the rapid amortization.

The start-up grant, an outright grant, has, I think, at least three definite advantages over the tax credit.

One is that the tax credit is of benefit only to a firm that has taxable income. That immediately excludes practically all the new small businesses which either lose money for the first couple of years or don't make any. So the tax credit is of no earthly use to them, yet they should be encouraged to locate in those areas.

The branch plant, say, of General Motors or General Electric—even if it loses money the first couple of years—this can be absorbed by the parent company with no great damage to

them, so that actually the tax credit gives an advantage to established firms and is contrary to our principles of competition.

The second advantage of the start-up grant is that it will depend upon appropriations, and hence it is under the control of the Administration and the Congress, whereas the tax credits are very hard to control. Of course, this is the risk of the start-up grant—to be limited by the budgetary procedure. But, again, that is the way it should be.

Third, since the start-up grant will be doled out by a government agency it means that each application can be scrutinized so that there is less chance of, say, a firm like the Meade Paper Company in our region in Escanaba getting an extension of $10 million—well, that firm is going to locate there anyway because of the wood supply. The taconite beneficiation investments are going to come there anyway because of the resources, so they shouldn't benefit from a grant. You can catch this sort of thing in administering a start-up program.

The other alternative mentioned is investment reserves as practiced in Sweden.

There, a firm can use, I think it is up to 40 percent of its pre-taxable income, and put that in an investment reserve, partly with the government, partly using part of it for its own working capital purposes. It can draw on that investment reserve in times of national depression or recession for investment, and that amount will never be taxed; otherwise, it would have been taxed if it had been reported as income.

During a national depression it can be used. Even during good times, the investment return can be drawn upon by the firm to invest in a lagging economic area, and I think that would be a good deal here, both nationally and in the lagging area.

Of course, we are interested simply in the lagging areas, and maybe if the Council of Economic Advisors thought it would be advisable to cut out the cyclical thing, it would be all right with the Upper Great Lakes Region.

The Public Investment Program will be discussed by Mr. Fingerson.

Mr. ETHERIDGE: Didn't the report also mention business loans and loan guarantees as financial incentives?

Mr. ROTERUS: Yes, because it is less novel, I did not mention them here.

I think the idea there, again, would be that that would be a good tool. The proposal is to run that through the EDA which already has a program going.

## Public Investment Programs

Mr. FINGERSON: There is a basic difference between Categories I and II. In II, we have no present legislation, so the Congress would have to act to implement these ideas.

In I, we have kept the authority that we have under Title V. This entire program could be implemented with the legislation currently in place. That program could be carried out through our supplemental grant program which means we would use the authority and administrative capabilities of the Federal grant-in-aid agencies to further increase the investments in the Region.

One thing to keep in mind with respect to the Federal investments is that they are based on the 1970 program. The figures have been changed slightly, but overall, they represent the same priorities established in the 1970 program, with two major exceptions.

We have withdrawn the highway development program which represented about $230 million of our original $546 million. We still need that highway program. But if we are to have the money for regional development, we believe, as under the Appalachian program, Congress will have to take specific action and vote itself in support of a developmental highway program. It is not included in the $99 million program. We think that would take separate action.

One other changed priority is that energy and transportation have reached a new level of importance to our Region which was not true in 1970.

This revolves around two principal problems: the energy problem, which is obvious, but it has special importance to the Upper Great Lakes because of the suspected cutbacks in Canadian supplies, and the high level of rail abandonment in the northeast. The latter would be only partially helped by the Regional Rail Reorganization Act. This lacks something akin to the highway fund.

The industrial development fund would be a continuation of the strategy of 1970. It is a continuation and expansion of the strategy which we have been using for the past seven years—to use the EDA and the Farmers Home Administration for projects that would attract industries to the Upper Great Lakes Region.

It would involve a program to aid existing business and industry, namely, through small business consulting services which we have coordinated with the Small Business Administration. It would also greatly increase our analysis of those kinds of industries which would be attracted to the Region and would put that information in the hands of the local and State industrialists.

Mr. GEHLEY: My name is Dennis Gehley, and I am with the GAO. During the former presentation, the concept of growth centers was mentioned, and the figure of 10,000 was thrown out. The debate still continues to rage over the appropriate size of growth centers, and I have three related questions.

How is the number 10,000 arrived at? How many centers of 10,000 size are there in the Upper Great Lakes Region? What percentage of the regional population is either in those centers or in the immediate areas surrounding those growth centers?

Mr. FINGERSON: Those are three very good questions which I will turn over to Mr. Roterus.

Mr. ROTERUS: I have not made a count of them.

The 10,000 figure was arbitrarily selected—after all, there are only a few metropolitan areas. The biggest area is Duluth with about 105,000 or 110,000.

Rather than concentrating everything in the Duluth and Escanaba market, and a few other places, we decided to spread it out. We thought, arbitrarily, just looking at the cities of about 10,000 or more, that they could well accommodate industry. Of course, that has been highly proven now because industry is going to the small towns.

At first the trend was for the industry to leave the cities for the outskirts of the metropolitan area. Now, they are leaving the entire metropolitan area. One of the maps shows a pretty good spread throughout the Region.

We felt that most of them were within commuting range of people, so that any developments in the growth center would provide work for people in the outlying areas who would commute and would also stimulate repair services and recreational services in the outlying area itself, so that the economy there would prosper.

But the major idea was that if we departed from the original growth center theory to get to these lower areas, and we feel we are right in that, we would get a greater spread of development throughout the entire Region. The trends indicate that our judgment on the matter wasn't too bad.

Mr. GEHLEY: Can you tell me what percentage of the population, roughly, is currently living in the growth centers?

Mr. ROTERUS: As I indicated, 60 percent of the projects went into 25 percent of the counties, and there are 199 counties. Thirty counties got 60 percent of the projects. I would say maybe the population of those areas . . . . I am not sure. I better not even hazard a guess. I will be happy to check it out.

Mr. GEHLEY: Thank you.

Mr. ANDERSON: Yes?

Mr. KUBLAWI: Salim Kublawi, with the Appalachian Regional Commission.

Were the States involved in developing criteria for delineating growth centers?

Mr. FINGERSON: Yes. Vic and some of the other people who were originally with the Commission inherited some of the philosophy of EDA which was toward a strong growth center.

The State members were the first to object to the 200,000 figure for the Upper Great Lakes. If we established that, we would have almost one growth center in Duluth-Superior. The taconite beneficiation project would have been ignored, because it exists in small towns and the iron range. However, the growth theory did not permit them.

The States were strong on this: Governor LeVander, Governor Knowles, and Governor Romney were the three State members.

Mr. ROTERUS: We made two amendments to the growth center theory. One was in connection with tourists and lake and scenic development. We selected certain areas which would attract people from outside the Region and put them into a park system such as Sleepy Bear down in Michigan, Picture Rocks in Lake Superior, the Glacier Ice Age National Park, the Boundary Waters Canoe area in Minnesota, and the Voyagers National Park in Isle Royal.

We developed a regional system of these park areas which we felt would attract more people than the individual State areas. Such a system would also keep people in the Region longer, because if they came to Sleepy Bear Dunes, they might want to go over to Picture Rocks and take a look at the Ice Age Park, or the Wilderness Rivers, Wisconsin, and so forth. If they stayed there longer, they would spend more money.

A good deal of the construction money has gone into development of access roads and entries into those star attraction areas. We have had the counties plan so that access outside the parks will be attractive and you will have amenities out there.

The second amendment was that, instead of calling the smaller places growth centers, we selected certain areas as service centers, and those acted as a hub for health training activities and reaching whatever commuting areas the so-called growth centers we selected did not reach. We emphasized this service center approach in Federal investments in the service centers, even though they were less than 10,000.

Mr. FINGERSON: I will move to the second category of energy and transportation. In that program element there are some new priorities concerning the proposed Canadian cut-back and the continuing energy problem. We will continue to expand under that program the aid we have given to States and districts, plus a major new program to investigate the use of peat resources of the Region both for its own use and as a source for gasification.

We have about 45 percent of the U.S. peat reserves in the Upper Great Lakes Region.

Also, we would continue under the transportation fund our continued support for the expansion of the Great Lakes-St. Lawrence Seaway program, which centers around expanding its use through the winter navigation season.

We will continue aid to airports. But we have a continuing problem in that the prime carrier is slowly turning its fleet over to jet aircraft, rather than the smaller airplanes. As a result, many of our small towns are under great duress to build longer runways to serve jet aircraft.

We would become more involved in the railroad abandonment problem and continued expansion of railroad services, both freight and passenger, using Amtrak. These would be coordinated with the Department of Transportation, the FAA, the Federal Highway Transportation Program, and the State Energy Programs and Federal Energy Agency.

The third category of human resource development is a program to build a complete and comprehensive system of vocational education projects and to supply additional funds through comprehensive training programs which we coordinate with HEW and the Department of Labor. Our aim is to support the industrial development fund by providing trained personnel for the hoped-for expanded industry.

Under the tourist development fund, we plan to expand our current development aid to small businesses in the tourist and recreation field, also to extend our programs with the State for the promotion of the Region as a tourist attraction.

The development of star attractions can be done by aid to counties and States to develop this intelligently in an environmentally sound fashion.

We would expand the harbors of refuge or marinas which are necessary both as a safety aid and as an aid to attract tourism.

Under the Natural Resources Development Fund, we would expand a program of inland lake renewal to actually demonstrate techniques which were heretofore only in the laboratory, of saving the many lakes of the Region which are eutrophic, aged, and become less and less attractive as a tourism feature.

We would continue our investigations as to new mineral development, as we were involved in with the taconite development.

We have had recent news that copper and zinc deposits are possible in great number in the Region.

Lastly, we would continue our program to increase the value of commercial fishing on the Great Lakes.

Our last category of government services and planning is a program we have had for several years, which we have not been able to fund. The strategy is to set up a complete economic development district system across the region, which we would support.

We have had, in the last year and a half, new districts designated by the EDA. However, EDA has not funded these districts. We would like, under our program, if and when it is adopted, to support these districts.

The $99 million is a slight change. It could be totally implemented with the Title V authority that we presently have. It was derived in 1970 by making, with the State and local agencies, an assessment of the entire development needs, then estimating what the Federal expenditures would be over the period, and subtracting that from the total need. This $99 million and the previous request represents the difference between the need and what the Federal government would otherwise spend.

That is the end of our presentation; we will now open it up for questions.

Mr. ETHERIDGE: As a matter of interest, the Small Business Administration has just recently started a program, I believe in upper Michigan, somewhere in Michigan, in connection with your transportation fund.

We have been interested in track discontinuances, track abandonments, as they affect small business, and I think the project in Michigan is in the exploratory stages.

We also assist short line railroads—where a track has been abandoned. We had one, also, in upstate New York in that connection.

Mr. ANDERSON: We would welcome any comments or questions anybody might have or would like to cover at this point.

Mr. FINGERSON: Thank you.

Mr. ANDERSON: We have the written comments and recommendations of the various departments and agencies represented on the Council, and we are happy to have them. We will certainly take them fully into account in our study over the coming period.

As Mr. Roterus mentioned, we are having the University of Michigan do a population analysis which we think will be quite revealing. There are trends, as I indicated in my opening statement, that are quite unclear now and, as I understand it, Vic, there is considerable argument and a difference of opinion as to just what the real trend is.

Mr. ROTERUS: If it will continue.

Mr. ANDERSON: Yes.

Mr. ROTERUS: And at what rate.

Mr. ANDERSON: Right. The study that is now underway at the University of Michigan should give us some answers which at the present time are not clear.

# COMMENTS BY FEDERAL AGENCIES

Mr. WRIGHT: My name is George Wright of HUD. In this regard, population trend, I would like to call attention to the analysis of Neil Gustafson of the Upper Midwest Council in Minneapolis. Mr. Gustafson takes rather strong exception to Calvin Beal's assessment of the historical reversal and suggests that much of this is based on rates rather than absolute numbers of people, and the Neil Gustafson finding is that it is not a reversal of the historic trend, but that the predominant change is still urban-based, near the larger urban centers rather than in them.

A similar type of finding was made by the New York Regional Commission in extending their centralized population to suburbia and then exurbia beyond that. They also find it rather doubtful that there has been a reversal of the trends.

Mr. ROTERUS: It is still urban-oriented. It is going to the smaller cities and towns. The papers call it a rural trend so, I think in that sense, it is quite right.

In a sense, I think it is spreading a little bit further than he may intimate. Our maps show that the southern parts of the region are getting most of the gain–Wausau, Green Bay, Appleton, Brainerd, and Traverse City. It still has not spread so emphatically in the northern part. So he is right. It is still holding on to the metropolitan pale, so to speak, but it is quite a bit away from the boundaries of the metropolitan areas–it is up to Wausau, Green Bay, Traverse City–I agree. This whole thing should be reviewed. I think that is a very intelligent observation.

With regard to that expansion, farther out from urban areas, much of the historical area which we have over the last half dozen years predates the energy problem and the higher cost of petroleum.

We have to assess just what that will mean. Presumably, it will have some pressure toward compaction. Yes, theoretically, the pressure should be more toward compaction. Will they develop slowly or as a result of crises? We seem to change as a result of crises rather than calculated policy.

Mr. SALIM KUBLAWI: I really think what he means by reversal of trend is that the fifties and sixties experienced a movement from the metropolitan areas to the suburbs. The seventies are showing a reversal of the trend. I do not think we can look at urban-rural in terms of the size of the city.

In the Appalachian experience, we find amazing things. Central Appalachia, which is the most rugged part, the unpenetrable part, even with the Appalachian highway system, has been experiencing a decline in population, unemployment, and underemployment. Now several counties have higher growth rates.

At the same time, the southern parts, as a consequence of our whole national trend, are growing. But the south is growing on the basis of 10,000, 20,000 25,000. You know it is

said that is the size of towns that Americans would like to live in. In northern Appalchia, everything is declining. It is part of the national trend, and it is due to the energy crisis. The increase in population is due to the consequence of coal mining, plus other reasons, not just the oil prices.

Mr. GEORGE WRIGHT: There were two trends. One was from rural to urban areas; there was a counter-trend from the center of urban areas toward the suburban and exurban fringe. The thesis of Neil Gustafson, of the Upper Midwest Council, is that a lot of what appears to be an urban to rural trend is really an extension of this movement toward suburbia and beyond, even to small towns of ten to twenty thousand which are within the orbit of the large urban areas.

We are not going to solve here just how to characterize it. These are the broad outlines of the argument.

Mr. DAVIS: Bob Davis from the Federal Energy Administration. I guess what I was struck by was that the plan apparently is following the business-as-usual approach in connection with tourism—sort of the conventional wisdom which dictates that you develop something that people will want to see and go out and promote it so that people will come from all over the country to see it.

My concern is that, in a number of established recreational areas, they are facing a decrease in this kind of traffic because the energy problems which, in my view—

Mr. ROTERUS: If they were—this year they are looking for pretty good traffic.

Mr. DAVIS: We are in the lemming process and sometime we will go over the cliff. When we experienced our energy crisis in Oregon, tourism dropped radically, and Nevada faced economic disaster; but there was not a darn thing that any promotion job could do about it.

My question was in the spending or the proposal of the $19 million to develop tourism. Are we looking at how we are going to get people there in the event that there is a continuation of a shortage? Are we talking about alternate modes of transportation and so forth?

Mr. FINGERSON: We are aware of the problem and our limited resources. Our program, which we laid out to you, is based on the idea that 30 percent of the nation's population is within a day's distance of the region in the Chicago-Minneapolis-Detroit area. This would be attracting people from the immediate area.

We are not on a national advertising program. We have zeroed in on our own States. Minnesota and Wisconsin advertise: "Don't travel; see what you have got here."

Advertising campaigns say, "There are 10,000 pike going hungry everyday in Wisconsin." That is a key element.

We are not attempting a national campaign. We are disturbed that we are doing business as usual in our Recreation Council. What we hope to have is orderly development rather than the haphazard kind of thing. We have a Wisconsin Dells area that looks somewhat like Niagara Falls—more billboards than resources, natural resources. We are concentrating on a localized program.

Mr. ANDERSON: We hope to accomplish something in the way of energy conservation in the process. A good percentage of our people go to Yellowstone National Park or to other places, whereas they do not take the time to remain locally and go to adjoining states to see an attraction that is probably of equal value.

Mr. EDEN: Mr. Davis, do you have any particular projections on this summer, travelwise?

Do you have anything that might benefit the Old West Commission which is at the moment working on its plan?

Mr. DAVIS: There will apparently be spot shortages this summer which are attributable not so much to production and supply as to the sudden increase in projections of travel based on the Bicentennial, including a number of other factors, among them, the fact that 85 percent of the American people feel the energy crisis is over, and we can go back to normal habits, even though prices are higher.

In my part of the country, people think it is a constitutional privilege to get a motor and a boat and put them on a trailer which you hook up to a car and put in a couple of motor bikes and travel 300 miles for a mountain lake weekend.

We are back to that. There will be some spot shortages, nothing that will require the kinds of actions that were taken during the previous shortages with long lines, but there will be some temporary shortages. My concerns are more long-term. This program has a value and all the regional commission programs have value if they have a long-term effect.

Over the long term changes will be required in our way of life. We are not going to be taking the thousand mile trips with two or three people in a car.

I am wondering when we are doing this kind of planning if we are thinking of that, and I'm glad to see that you are. We just will not be as mobile in the future.

Mr. ANDERSON: I think all the members of the Commission, including the Governors, are very conscious, Mr. Davis, of the urgency and necessity of energy conservation. They recognize that we are faced in the Great Lakes Region with a real energy problem. They are taking steps, as we are regionally, to discourage the return to wasteful practices.

Mr. ETHERIDGE: I admire what Mr. Davis's State is trying to do. A couple of years ago, Oregon was getting in the papers with its philosophy: We would love to have you come here and spend your money, but please do not like us so well that you want to come here to live—which I sort of sympathize with, Mr. Davis.

I was wondering whether, in view of the growing population in the Upper Great Lakes Region, there will soon come a day when you all will be faced with the same question as to how many new migrants you really can handle since your population is apparently above national trends for the moment. If you want tourism—

Mr. ANDERSON: I don't see the end of the road on that one. If everyone returned home that left the area, we would have a good population increase.

Mr. ROTERUS: That would trail off. A lot of people who left probably like where they are now, so they are not all coming back. It is a problem we would be delighted to face later.

Mr. DAVIS: That position taken by the State of Oregon was under Governor McCall. I served as his Executive Assistant for five years. There is a new Governor there now. The Governor has put out an advertisement which says: Oregon—open under new management.

Mr. MINIER: Alan Minier, Old West Regional Commission. The Old West, as you may or may not know, has already been through this thing on tourism. It turns out that probably the most important indicator or the most important determinant of the use of gasoline which the FEA is promoting is the price of it. The trouble with planning business-as-usual on tourism or anything else regarding the price of gasoline, not only will your plans for tourism be knocked into a cocked hat, but so will your whole economy.

Not just agriculture, but the per capita use of gasoline in Wyoming or Montana is higher. If gasoline increases, per capita income declines more precipitously as well, affecting, seriously, the whole base of the region.

All I want to say, therefore, is the notion of being able to separate out tourism and tourism investment on the basis of long-term energy use really is not terribly helpful unless we have a long-term notion of what the energy policy is going to be and whether it can be supplied cheaply.

Unless you solve that problem, you cannot deviate too far from business-as-usual discussions.

Mr. DAVIS: One thing you can be sure of with or without the energy policy adopted by Congress and agreed to by the States, is that the price of petroleum and, particularly gasoline, will continue to increase, maybe not as precipitously as total deregulation or decontrol, but the fact is that the long-term trend is going to be up. You are dealing with a scarce commodity. You are dealing with a commodity which is costing a great deal more to produce everyday.

Alaskan oil is not going to be cheap. It is going to be very expensive; using secondary treatment in existing wells in this country is going to result in probably a doubling of domestic prices in our cost of oil. We are artificially holding it down by not using and not feeling the total impact of the OPEC prices because of the domestic controls imposed on domestic oils and production.

Sooner or later, within a period of five years, we are going to see that the impact of that is going to decrease, because more and more money is going to go into the secondary treatments to produce the last oil from each of the existing oils that we know about; so the long-term or mid-term trend is going to be up, with or without decontrol or deregulation.

This is also going to be true, particularly true, of natural gas and also, of course, it will be true with respect to petroleum. When Alaskan oil does come next year or the year after, we are going to find that it is going to be very expensive.

Mr. JEFFERS: My name is Sidney Jeffers. I am with the Ozarks Regional Commission. I just want to ask, has Upper Great Lakes attempted to get any feeling from the Administration or the Department of Commerce, I should say, and the Congressional committees, as to what the reaction would be to start-up grants to private industry?

Mr. ANDERSON: Sid, we have not gone that far, other than I think we could probably start out that the Department of the Treasury would not be particularly happy with the proposal.

Mr. ROTERUS: They were not happy with the tax credit proposal. When we have put it up a number of times, the Treasury said, why don't you go to the grant? They do not want to use the taxing power for other than revenue purposes. They do not want to get into social purposes.

One of the reasons is that you can bypass the Treasury. The Treasury has been very adamant against the tax credit. I do not know how they got the national tax credit through the Treasury. There must have been a lot of pressure on them. One region cannot exert that much pressure.

Mr. JEFFERS: Several Commissions, Upper Great Lakes and Ozarks, those two in particular, as a practical matter, are already providing start-up grants in terms that would lead to building an industrial site, even though it is publicly owned, that in effect is a subsidization of the private industry. Private industry gets it at a lower cost then they would if they had to do it themselves, but that does not go the whole way.

Mr. ROTERUS: It is a very small subsidy.

Mr. JEFFERS: Are you talking start-up grants? I don't know if it is true in the Upper Great Lakes area, but it certainly is true in manyof the middle-south States that the basis for municipal bond issues for industry is becoming more and more restrictive. Bonding capacity is being utilized, so there is not much left.

Are you talking about start-up grants for building and equipment and working capital?

Mr. ROTERUS: Building and equipment—say 20 percent of their investment.

Mr. JEFFERS: Not for working capital?

Mr. ROTERUS: No.

Mr. JEFFERS: Doesn't EDA now permit developmental loans for shell buildings and equipment for that matter?

Mr. EDEN: Yes, there is quite a bit of flexibility under Title IX for rehabilitating a hotel, for instance, or a business loan to an industry where the jobs have moved out of it. There is more flexibility there than there is under Title V of the legislation.

Mr. JEFFERS: Upper Great Lakes has brought up a very innovative concept, and I think that since the Department of Commerce, through EDA, has used this method, as Mr. Eden said, and the Commissions have done so indirectly through supplemental grants on land, not building, maybe the Department of Commerce ought to face up to the question that start-up grants for lagging areas is something to be considered as a possible policy.

Dr. RAUNER: Bob Rauner, Office of Regional Economic Coordination, Department of Commerce. Perhaps Mr. Jaeger could make some comments about start-up grants because it is practiced more vigorously in Europe than anywhere else. Would you like to comment?

Dr. JAEGER: It is very unusual for me to intervene in this debate. I may only say that in Europe you have a very sophisticated system for lagging regions or, better said, several sophisticated systems of grants for land, building and equipment.

These systems are sophisticated because you have in some countries the need for some investment of grants, some loans and guarantees. It is not exclusive one from another to use grants, soft-loans or guarantees. You may combine this, but this combination depends on the kind of industry, because you may have some industries which need to have more access to capital.

Small enterprises prefer to have soft-loans. Big enterprises prefer to have grants, and you have medium enterprises which want to have both. It depends on the enterprise.

Mr. EDEN: That is an interesting point, something we might want to pay more attention to.

Mr. JEFFERS: Through successive Administrations there has been almost a split personality on this.

I remember our ARA days. I wonder if our so-called loans weren't a euphemism for a grant, because some are still being administered fifteen years later. Should the Government make grants to private industries as opposed to making grants to the municipality? EDA does many of these things—I use that example, I won't use SBA because that is more banker-controlled and that is not part of the criticism. But I just wonder, sometime, whether EDA, the Department of Commerce, or Administration, should face the thing squarely? Why do we need all these subterfuges?

Mr. EDEN: You made a grant the other day to a State revolving fund to stimulate growth of businesses and the objective—in this particular case—is to use it so the employees stock ownership plan can buy—

Mr. JEFFERS: It is the ESOP plan.

Mr. EDEN: The ESOP will buy the assets, pay the revolving fund back, and then the State will use those funds for continued stimulation of business in the State.

Mr. JEFFERS: If sometime we can come out openly and have an open, clean, explicit program, it will become available to more people and more people will know about it and how you go about getting it.

Mr. EDEN: That is more favorable than an industrial park. You build it and it is not fully utilized two or three years later. Here you have something tied to a specific entity. It gives you a little bit better control over your dollars than just building a park.

Mr. ETHERIDGE: I am wondering whether the start-up grants involve any confidential oversight or post reviews as to whether the proceeds are being spent in accordance with the terms of the grant? In other words, sort of—I hate to use the word—audit.

Mr. JEFFERS: I have never seen a Government grant that did not end up with that.

Mr. ANDERSON: It would certainly be warranted, I would think. You would have to know what results you are getting for tax dollars.

Mr. GEHLEY: I am from the GAO. Have you conducted any study or analysis of the fiscal capacity of the States or communities in the Region to learn whether they have the capacity to absorb this new development or growth?

Mr. Kublawi can correct me. The Appalachian Regional Commission, demonstrating the concept of trying to attract industry or business, gets right down to communities competing for limited investment potential that, over a period of time, the use of the Federal grant mechanism, whether we realize it or not, is sort of a carrot or stick approach.

When you use a matching grant requirement, over a period of time, communities get to the point where they just cannot absorb any additional costs that accompany the growth.

I think the Commission is finding out that over a period of time many of the communities have just gotten to the point where they cannot pay for the services, and there are severe conflicts at the State level over who absorbs the cost of the access road or the facilities needed to accompany the growth. These are all long-range projections that I do not think anybody looked at when we designated some of these growth centers and said this is where we want the center to be.

I am curious about whether the fiscal capacity of the community to absorb the growth has been looked at by the Great Lakes Commission.

Mr. ROTERUS: As far as I know, no. We have been overly content that this is an area of decline. Once they had a flourishing lumber industry. The good iron ores have petered out. We have had extra housing, extra stores on the main street, and we have had pretty good utilities because of the mine taxes when the mines were in full sway. We have had a lot of slack. That has been one of our arguments—if we are afraid of inflation nationally, let us put the growth in these lagging areas where they have a surplus, not only in facilities, but in human resources. We have not anticipated the picture you are drawing which is a good one, and which I think in areas that haven't developed, such as the Old West and Four Corners, will face that problem in connection with their energy increase—the low sulphur coal development and that sort of thing.

Mr. FINGERSON: Three weeks ago the State of Wisconsin Economic Development Department had its annual State conference on economic development. A gentleman said that industrial sites were not necessarily an advantage to a community and could be more negative. The majority of the industrial developers said it was not a problem, but it is a question in some southern communities: Do we want more industry? It was not something that everyone agreed to. It is a question that the State of Wisconsin is considering. The Regional Commission may look at it as well.

Mr. GEHLEY: There are a lot of secondary effects of Federal investment policy that do not seem to be considered by the people who should be considering them and that is that the use of the Federal grant mechanism has a tendency over a period of time, as we observed with categorical grants, to make everybody compete for that limited Federal buck without going back to the role the State plays or can play in coming up with a unified investment policy—even the concept of 100 percent State aid to certain communities meeting certain conditions. I just toss that out because I think Appalachia is absorbing that to a certain extent.

Mr. JEFFERS: This gentleman from the GAO is stating the finest argument I have ever heard for regional commissions. What he is saying, and it is true, is that when you have categorical grants managed by straight-lined Federal agencies, there is a tendency that each community, even though the categorical grant is divided by formula so Minnesota and Arkansas get a portion, participates in vigorous competition for their share of that categorical grant unrelated to any plan.

A regional commission properly structured, hopefully on a statewide basis, which I think is easier than a partial State basis, where you have a Federal representative meeting with the chief state executives, is able to lay out a plan based on an information system so that decisions can be made where the Federal investment should be placed, eliminating the risk of over-impacting on the community.

I think a regional commission could do that better than a categorical grant agency and with more effective Federal control than simple block grants.

Mr. MINIER: We, indeed, have had this problem in the West and we will keep right on having it as long as energy continues to be a problem.

In our case, more often than not, it involves the utility company putting in a power plant. The thing you will run up against is that time and time again a lot of the problem involves a parceling out of the jurisdictions in question.

In Wheatland, Wyoming, the county commissioners have a larger handle on taxing the power plant in question. The county commissioners are not going to build new routes. Until you adjust the taxing situations, access to the major plant tax base is not going to be straightened out. It is a political question that, ultimately, goes to the States. The real point is whenever you have any growth, there is always going to be an adjustment problem, and I think you are looking at it from the wrong perspective.

Should we feel guilty about the Federal dollar doing this, or should we feel bad or be concerned about how we are spending our money?

There is always going to be an adjustment problem in putting together a whole range of jurisdictions.

Mr. WARD MILLER: Ward Miller. I am with the Coastal Plains Regional Commission.

Through the mechanism of the commission there is a better understanding at the State level as to what the resources are—Federal, State, local and private—than you might have otherwise, and this is a continuing thing that has gone on and a relationship which has been established back in 1967 or 1968.

Mr. ANDERSON: Mr. Kublawi?

Mr. KUBLAWI: I agree with most of the comments. The idea of the regional commission is to reconcile Federal and State policies, and the State reconciling State policies with sub-regional policies and local policies. One of the biggest problems we have in Appalachia, and it will continue to be one, is to have the Appalachian investment plan of that particular State, which is required by law, be part and parcel of the whole State planning process.

There is a lot of action being taken all the time. The question is, how do you really do that? I would not say that we have been the greatest success or greatest failure. We succeed and fail. We continue doing that. That is the basic point. I am not saying this as a criticism of the Upper Great Lakes plan, but rather as a comment and as a question.

I find the plan is excellent. I do not find, however, any discussion of how these priorities were arrived at, whether they were arrived at by the three States, or as part and parcel of the three-State plan.

What are the roles of the local development districts in designating broad areas and priorities?

Is recreation more important in Michigan than in Wisconsin?

How do you arrive at these different priorities? That is really what regional planning is about. Maybe you have done it, but I do not see it in the plan.

Mr. FINGERSON: In the final version, you will see in an instant part of what you are talking about. Every economic development district, both recognized and authorized and funded, and those designated but not funded, reviewed the plan in the last six or eight months, and we have taken their recommendations into account in this final draft. They have worked with us untiringly. The Governor's staff of each State works with local communities, EDA districts, where they are available and in place, and with other sub-State districts—not EDA affiliated.

Local planning has been taken into account. This is truly a regional document from the bottom up, and then back down again, to make sure that we did not miss something when we started out.

Mr. ROTERUS: That review process has made some data obsolete.

Mr. ANDERSON: Every State Government had its input. By the time we look at it now—the figures are almost outdated because of the long process. Some States wanted at least three to four months to work on it. You have to allow them that time to give them the opportunity to make their contribution.

Mr. WRIGHT: The whole question of geographic spread, urban versus rural, is almost a religious question.

Mr. Roterus indicated the cutoff of 10,000 was arbitrary, and I am sure it is, to some extent. One thing that troubles me about the start-up grant is that the start-up grant might be an investment of Federal funds in areas which turn out to be too small to be viable.

I don't know what the size of viability is. I do not think anyone in this room has strong convictions on that. It is possible under certain investment plans to have investment plans in many small communities of 500 or 5,000 or anything which, cumulatively, can be an enormous Federal investment. It might turn out that all the start-up grants are investments in the wrong places.

Mr. ROTERUS: You are assuming that the industry doesn't know its business when it chooses a location because these grants go directly to industry. Obviously, they will be made only to responsible industries or to new industries which the review shows have good management and know what they are about. They will not be made to communities. They will be made to industries, and the industry has a great deal at stake itself in selecting a good location. That is the way the company has developed, by the industry making the selection.

Now, you can say that many of them are in the wrong place, but time shows that generally they do a pretty good job of location selection.

Mr. WRIGHT: I concur. Most of them hire firms like Fantas and you have all the utility companies, the railroad companies, and the States providing them with data, so they are deluged with data. There is no reason why they can't make an intelligent selection of site and location.

I concur that that would be a protection against unwise investment. It is not total.

Mr. ROTERUS: Yes, the system is not perfect, agreed.

Mr. WRIGHT: Very rational and informed people can disagree on a certain location for a certain industry.

Mr. ROTERUS: The decision will be management's. This is an inducement, so to speak. The Government will not make it. Whoever it is, General Electric or Babcock and Wilcox, they are going to be very careful in selecting locations. This has become quite a fine art.

Mr. WRIGHT: For the large firm, General Electric and the others, they have an opportunity to use a tax credit to get a de facto start-up grant by matching up against their other operations. The firm that seems to me to be uniquely affected is the small operation which is not a branch plant. That one is the one that is most vulnerable to making mistakes on high expectations which turn out to be not entirely wanted.

Mr. ROTERUS: A good share of new enterprises fail. The Small Business Administration can tell you that.

Mr. EDEN: It might be useful to let Bob Rauner get in here. It is getting on toward 11:30. He is in the Office of Regional Economic Coordination and has the perspective of having reviewed a number of these plans through the years. Bob, why don't you give us your comments?

Dr. RAUNER: I have two sets of comments to make. I was asked to summarize the specific comments given by the various bureaus within the Department of Commerce with particular interest in development planning, that is to say, the Economic Development Administration, the Bureau of Economic Analysis, and the Office of Regulatory Economics and Policies.

They have submitted commentaries, and I will merely highlight them so that we have them in the record and they may induce some reaction from you. All three of these agencies asked for further explanation and analysis of this draft regarding the recent employment growth in the region and, particularly, the relationship to the earlier job gap which, as you recall, was the basic foundation from which the strategy was evolved. You will note in the plan that even though employment grew at rather impressive rates, the job gap did not decline because the population also grew and the work force participation rose as Mr. Roterus told you. That is a critical element in the exercise because, as you see, it is the genesis of the strategy.

One must try to understand what the forces are which cause the growth in employment and work force participation in order to know that the strategy is properly applied.

All three agencies commented on this and asked for a little more analysis of the forces underlying it.

EDA, in particular, questioned the manner in which the overall strategy was articulated because it seemed to that reviewer that the project selection mechanism was more opportunistic rather than strategically located within the overall goal structure.

In other words, there were opportunities for an industrial park, and it was accomplished because the Commission could join with EDA's grant for such a park.

Another comment that was made by all three reveiwers was to ask for a more formal analysis of the alternatives and trade-offs given in the proposed action programs.

You remember the chart that showed the ratio of funding by the principal program categories?

There was lacking a treatment of how the priorities were established; why "x" million dollars were offered for industrial development and why "z" million dollars were offered for tourism development, for example, and those proportions were not explained in the draft.

Some, myself included, like to keep score on the number of zingy verbs that are used that have to do with the leveraging concept: that is to say things that trigger, spur, spawn, unleash, catalyze, galvanize, create, inseminate—and you can go on and on and on. They connote that Commission dollars are more productive than other kinds of dollars because they can draw forth two, three, four, or five to one.

We know, in practice, that it does not work that way. The notion of leveraging has to be tempered somewhat, at least, in exposition. There is still a requirement that if the Commission makes the claim for this happening it has to prove that claim. You cannot claim leveraging of Commission dollars and expect the critics to believe you. You have to prove the claim and proving it says without the Commission—

Mr. ROTERUS: You are just subject to it.

Mr. RAUNER: Without the Commission's participation, it would not happen.

Mr. ANDERSON: Maybe they could disclaim it.

(Laughter)

Mr. RAUNER: This leads me to the project screening and scoring system that is described in the draft, in which one of the factors that gets significant weight is the matching share by the community. The smaller the community share, the higher the weight. Thus, if the commission could find that unique place in which it didn't put any money, it would get the highest score in the selection system which is sort of a Kafka-like result I do not think we are looking for. The notion of leveraging and participation has some funny consequences.

Mr. JEFFERS: Wouldn't the Commission be violating the law if it wasn't leveraging? Because the law says the Commission only supplements on the side of the community. It does not supplement the Federal agency. Therefore, if Upper Great Lakes puts 20 percent of the total eligible project cost into a project, then if it is not leveraging 80 percent, it is violating the law. By definition of the law, it is in fact leveraging.

Mr. WRIGHT: He has to prove it, he says.

Mr. RAUNER: If we had some ham, we could have some ham and eggs, if we had some eggs?

Mr. JEFFERS: Right.

Mr. RAUNER: I understand that. Although the draft did express concern over protecting the Region's environment, it was felt it was not displayed in a sufficiently hard and critical way to these possible impacts, particularly the tourism and the other things. That is to say, there was acknowledgment of it, but maybe it could come a little stiffer.

For my own part, as I have said, we live across the hall from one another so our interactions are perhaps more informal and cozy. Roy, Vic, and I have gone over the draft. I discussed some of my marginal comments with them, but I will summarize them for our office. I think the most important general features to attend to would be to get the employment and population projections together to analyze, as I have said, the underlying causes, particularly what is happening in the various economic sectors, to see if these analyses support the basic strategy laid down in 1970 and the funding estimates associated with them and then, finally, on these determinations, to conclude that the priorities as displayed are valid, or if these determinations point to something else, to re-order the priorities.

I think the draft is just a little bit thin on this analysis, and I do not think it is an enormous effort to try to shore it up a bit.

Just a footnote, when one attends meetings like this, you always get new information. I received some when Vic flashed a slide which told me about the amount of in-migration observed in the 1970 to 1974 period. That particular number I did not find in the draft. It may have been there, but I couldn't find it. It is 150,000 as I wrote it down. Doing quick arithmetic, I found that the population increase over that same time period was about 180,000 or 177,000. This says to me that in-migration subtracted from total population leaves about 40,000 net new births over a three or four-year period which is about 10,000 a year.

If you take the total population and just use a rule of thumb, divided by four to get the number of families, you find that there are about 700,000 families in the region starting in 1970. Divide that out and it says there is one net new birth for about every 80 families which tells me something is wrong or else they don't fool around very much in that area.

Mr. ROTERUS: You have got out-migration, so the in-migration is net.

Mr. RAUNER: That goes into the population figure.

Mr. WRIGHT: You have not entered in the deaths.

Mr. RAUNER: If 150,000 is the net migration in, that is what you showed me—

Mr. FINGERSON: We will have to take that up afterwards when we get into details on these figures.

Mr. RAUNER: Something is adrift.

Mr. ROTERUS: On the sectional approach, we rejected a lot of figures on the employment security. They just don't jibe very well.

Mr. RAUNER: Since you are so sensitive to migration into the Region, that ought to be locked in very carefully, and then you should also be very clear on what the remaining explanations are for the population change.

Somehow or another, that ought to come into balance. It struck me that the natural increase of population, net, must be very small in order for migration to be that big, if the numbers you are showing are correct. I think it needs a little probing.

Mr. EDEN: I wonder if there might be any other comments because we did hear a lot from a few people and little from a number of others. If there are any comments from places like the Department of Agriculture and the Army, et cetera, we would welcome them. We would be glad to hear from anyone who would like to make a comment.

Is there anything further?

Mr. SHANAHAN: Daniel J. Shanahan, Department of the Army, Corps of Engineers.

Our programs, of course, are focused on parallel objectives to the Commission, national economic development and environmental enhancement—all the national benefits accrue in the Region as well.

Our principal programs we might categorize in terms of national transportation savings to Great Lakes navigation and also the enhancement of tourism where it affects small boat harbors.

Those are long-term contributions and they will continue, and they will be compatible with the Commission's goals.

Mr. EDEN: Is there anything else?

Thanks again for your time.

Mr. Wright?

Mr. WRIGHT: On Page 148 of the plan, there is a quote: "Except in unusual cases, industries do not find it feasible to locate in non-urban areas where transportation, utility, business repair, financial, educational and recreational services and facilities do not exist. Yet, many such moderately-sized urban centers in the Region do not qualify for EDA designation."

The plan document seems to be saying that we are able to subsidize rather remote rural areas where industry would not normally want to locate, but in urban areas where they might want to locate and grow, EDA is not willing to establish a grant.

I would invite comment from the Commission on what we are getting at here.

Mr. FINGERSON: I think what that statement means, although I recall Vic wrote it, is that we have an idea of development which tries to help areas in the Region which are not necessarily EDA qualified. This means your employment figures and per capita income figures are way down.

There are some areas that could use assistance to help their growth, but they do not qualify under EDA.

We are talking about a developmental kind of assistance. EDA requires you to be down and out before you may apply for their assistance.

Mr. ROTERUS: We are saying that some of the urban areas that are appropriate for industry do not qualify for EDA loans because they do not have a high level of unemployment or the low level of income and that they should not be ignored in getting Federal help.

As a matter of fact, we are saying that these areas are better for industry than areas which are down and out.

Mr. WRIGHT: You seem to me to be suggesting that the EDA investment dollar would be better spent in a growing area which could pull in—

Mr ROTERUS: That is the legislation.

Mr. WRIGHT: Yes, you seem to be saying that the EDA dollar would be more productive in an urban area which is growing and has positive forces behind it than would be true in another area where natural forces seem to be negative and in some kind of a downward spiral?

Mr. ROTERUS: I agree with you, but in defense of EDA, they also have a growth center approach in their legislation. That was the trouble with the old ARA—the worst-first theory. You gave help to the worst areas and most such areas were not viable.

In EDA, the growth center theory was introduced by Charlie Schultze, who was Director of the Budget. Certain areas could be designated as growth centers along with areas which could qualify on just unemployment.

Mr. FINGERSON: We are different from EDA. We are not limited to those areas that have the specific criteria that EDA has to use. We are pointing out that there are some business loan needs that don't qualify for EDA assistance, and that is part of the justification why criteria above and beyond that of EDA might be of use to the Commissions.

Mr. ETHERIDGE: To what extent do you encourage small businesses in the Upper Great Lakes as opposed to any small growth centers that would require less infrastructures—for example, less trained workers, less housing available? Are you interested in getting smaller businesses instead of General Electric or Babcock-Wilcoxs?

Mr. FINGERSON: Our emphasis is not to attract new small businesses as much as to hold on to what we have. We have the three business centers.

Mr. ETHERIDGE: We are going into SBA development centers. They are sort of new, and we had management assist us for a long time.

Mr. ROTERUS: In tourist service, we worked through extension services of the University to give help to small mom and pop resorts.

Mr. ANDERSON: It has been a successful program. It has encouraged the development of tourist centers and increased visitor volume.

Mr. EDEN: In conclusion, again, I thank you very much for your time and your contribution and your comments.

Dr. Jaeger, we appreciate very much having you here and we appreciate your comments. Good luck in your visit.

I think, again, it is worth noting that the real value of having the participation of a number of different departments, disciplines and interests throughout the Federal Government is the number of different issues that come out of this kind of exchange.

This is one of the few forums, other than the Federal Regional Council sessions, where it can happen. It certainly is highly valuable.

Secretary Richardson is very interested in this area, in the ways in which we can cooperate to make a more significant contribution to regions, to cities, to rural areas—to regional development.

I do not have anything else. Roy?

Mr. ANDERSON: Nothing else.

Mr. EDEN: Thank you very much. We will see you in August.

(Whereupon, at 11:45 a.m., the Twelfth Meeting of the Federal Advisory Council on Regional Economic Development was concluded.)


Mr. Roy Fingerson, Upper Great Lakes Regional Commission (left), and Dr. Victor Roterus, Visiting Professor of Planning and Regional Development at the University of Arizona (center), in an exchange with Mr. Daniel Shanahan, Department of the Army (foreground).

Dr. Jean Jaeger, Secretary of the Regional Policy Committee of the European Communities (right), in a discussion with Mr. John Eden and Dr. Robert Rauner, Department of Commerce.

# APPENDIX A

## WRITTEN STATEMENTS OF EXECUTIVE AGENCIES, REGIONAL COMMISSIONS, AND EXECUTIVE AGENCY REGIONAL OFFICES

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

APR 2 9 1976

SUBJECT: Review of Regional Development Plan of the Upper Great Lakes Regional Commission

TO: John W. Eden
Acting Executive Secretary
Federal Advisory Council on
Regional Economic Development

We appreciate the opportunity to review and comment on the Regional Economic Development Plan of the Upper Great Lakes Regional Commission.

The Commission has exhibited a positive approach to rural development problems in the Upper Great Lakes area. The examples of Commission activity cited in the plan seem to indicate that the Commission, in spite of federal funding limitations, has been able to accomplish much of what it set out to do in 1970.

However, in spite of the fact that Commission efforts in agriculture have been successful, they have also, as noted in the plan, been very limited. In addition, considering how very detailed Commission proposals are in some areas, proposed Commission activities in agriculture could be much more specific. The few paragraphs in the plan devoted to future agricultural endeavors are concerned primarily with plans to continue and expand existing projects and with a very general description of the kinds of agricultural activities in which the Commission is interested.

Additionally, the plan makes only limited mention of prime agricultural land maintenance. A major problem facing those interested in rural development is the loss of agricultural lands to nonagricultural uses. Urbanization of rural areas causes much prime agricultural land to be converted to uses from which it cannot be recovered as farmland. Although we recognize the importance of development to rural communities, we do not believe that such development should be or need be at the expense of prime agricultural lands. We believe that the plan should include serious examination of this issue.

We will be happy to discuss these ideas with the Upper Great Lakes Regional Commission.

James E. Bostic, Jr.

James E. Bostic, Jr.
Deputy Assistant Secretary

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D.C. 20310

29 JUN 1976

Mr. John W. Eden
Acting Executive Secretary
Federal Advisory Council on
Regional Economic Development
United States Department of Commerce
Washington, D. C. 20230

Dear Mr. Eden:

I am writing in response to your memorandum to me regarding the draft of the regional economic development plan prepared by the Upper Great Lakes Regional Commission.

Direct Army Corps of Engineers participation in programs of this nature is restricted by our authorities. Our basic authorities relate to flood control, navigation and power. Within these we can incorporate comprehensive planning covering all other purposes for water and related land development and conservation. With respect to navigation projects on the Great Lakes, our economic analyses are centered around savings to the transportation of commodities. Further analyses or surveys are therefore usually secondary and in most cases are not undertaken in depth. However, the Corps does perform impact assessments as required by Principles and Standards for Planning Water and Related Land Resources, and by Section 122 of the 1970 Flood Control Act.

It appears that the Commission's program has been quite successful as a stimulant to economic growth and will continue to have a major impact regionally as well as nationally. Most commendable is the small proportionate amount of Federal money invested compared to private investment. The program has not only stabilized an economically declining region, but has brought about growth through incentives to private enterprise. Although not quantifiable at this point, the number of jobs created through this program will have a great effect on national economic efficiency, making the return on Federal investments manyfold in a relatively short period of time. In view of these positive trends, the need for Corps involvement will increase, especially in the area of developing our water and land resources to provide recreational opportunities. Our present planning guidance emphasizes this increasing demand.

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

Mr. John W. Eden

As discussed in the report specifically outdoor recreation is planned and is expected to greatly enhance the economic growth of the region. Corps facilities have and will continue to contribute in this area. A recent innovation of using control stations as display centers to inform the visiting public of the cultural and historical significance of the region has been an overwhelming success. For instance, the Corps of Engineers Great Lakes Marine Museum at Canal Park, Duluth, Minnesota, is considered by the city fathers as one of the main points of interest on the Great Lakes.

The Army will continue to utilize water and related land resources to benefit the public and will assist the Commission in this effort.

Sincerely,

Charles R. Ford

Charles R. Ford
Deputy Assistant Secretary of the Army
(Civil Works)

COMMENTS BY THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE WERE NOT RECEIVED IN TIME TO BE INCLUDED.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENT

7 JUN 1976

IN REPLY REFER TO:

Mr. John W. Eden
Acting Executive Secretary
Federal Advisory Council on
Regional Economic Development
Department of Commerce, Room 2092
Washington, D. C. 20230

Dear Mr. Eden:

This is in response to your request of April 6, 1976, for departmental comments on the Regional Development Plan of the Upper Great Lakes Regional Commission (UGLRC), dated March 1976.

The UGLRC includes the northern parts of the States of Michigan, Minnesota and Wisconsin where human settlements are small, sparse, and remote. "Planning and Progress in the Upper Great Lakes Region" reviews the progress of the last five years, 1970 to 1975, and extends the Commission's development plan for three years.

Generally, the UGLRC region declined in population until the 1960's when the region showed a 6.3 percent increase. The population increase continued into the 1970's. In part through Federal assistance in the creation of industrial parks, the promotion of recreation and tourism and an assortment of other projects, a significant improvement in job opportunities was recorded from 1960 until the national recession of 1974. However, the income gap with respect to the remainders of the three States and with respect to the nation as a whole did not close: per capita income in the UGLRC area remained at about 79 percent of the national average. The failure to close the income gap is basic to evaluation of past efforts.

<u>The Three Year Plan Extension 1976-78</u>. The new plan essentially calls for an extension of the dual approach of private investment incentives and public investments. The document discusses implications of a number of long range problems such as the energy shortage and effective utilization of the minerals base. There is much constructive and realistic analysis of the region's strengths and weaknesses and of opportunities for further development.

However, one fundamental question underlies much of the three-year plan as well as the longer run hopes and expectations: What should the public investment strategy be? Should public investment be concentrated on a small number of growth points (perhaps one or two per state) in order to create moderately-large urban centers within a decade or two which could lead the overall efforts to increase economic productivity and per capita income for the surrounding territory on the one hand? Or, should public investment on the other hand foster and sustain the existing characteristics of many small remote rural settlements with their inherent instability of employment and their chronic per capita income disadvantage? We might term these the "urban core strategy" and the "remote, small settlements strategy," respectively. There are obviously variations on these two dominant strategies, but the outcome in the near future as well as a decade or two down the pike will depend on whether the commission leans in one direction or the other.

Nevertheless, the discussion in the plan does not come to grips with this basic choice on development strategy. The document speculates in favor of the remote small settlements strategy and tends to support this strategy with its allocation of funds, but the analysis and discussion seem largely to lead the reader in the other direction.

The case in favor of a "remote, small settlements strategy" begins on page 28 with the reference to recent population shifts which, according to the writers, "has confounded the social scientists who were predicating the future on urban areas of 250,000 population or more" as the only viable areas. The discussion quotes demographer Calvin Beal's assertion that the new trend is "a reversal of everything we've known in the 20th century, except for the Depression," and cit es several (unnamed) authorities interviewed by the Washington Post as proof or support for the argument. (The discussion ignores the contrary conclusion by Neil Gustafson of the Upper Midwest Council in Minneapolis in "Don't Jump to Conclusion About the New Population Trends.") Further support is set forth on page 29, that Federal revenue sharing with States and localities according to "the areas' needs" (and presumably independent of the areas' abilities to contribute to the Federal revenue pot) is making a substantial contribution to rural development by assisting states and localities to make rational and effective use of the new resources at their command. So much for the plausibility and economic viability of the remote, small settlements strategy through Federal subsidies.

The plan on page 60 reopens discussion (initially hinted at on page 50) on what is usually termed "the economics of agglomeration"; this generally points to a different strategy of concentrating on larger urban centers.

> ". . . In such areas, the projects reinforce other existing facilities and services, and tend to enhance the attractiveness of the urban centers for the location of private investments. The private

investments, in turn, react with other enterprises in that location with resultant mutual growth benefits. Thus the established urban areas have an inherent capacity for generating economic growth that is not possible in a location lacking in certain basic facilities and services. This is indicated by the fact that the counties with the larger urban centers grew faster (8.6%) than did the Region (6.2%) from 1970-1973."

Considerable discussion ensures to the effect that small remote areas are inherently at a disadvantage in attracting industry. For example, (page 63): "It is significant that a preliminary field check of industrial-related projects (e.g., industrial parks) indicated that those which were located in the larger centers have been effective in attracting private enterprise investments, whereas those in some of the more rural counties. . . have not yet fulfilled their promise." Page 117: "A nation-wide survey disclosed that 80 percent of some 1,000 corporations reported that they would not locate new plants in communities not served by an airport." Page 123: ". . . a low population density through most of the Region created numerous problems for the educational system. Population dispersion increased per pupil costs of training. . ." Page 124: "Because of the widely scattered location of the unemployed and the jobs, it is difficult to offer effectively the usual group classes in manpower training." Transportation problems are identified in the sparsely-populated area, including the absence of a major east-west highway (the Interstate Highway System has by-passed the area) and the fact that although railroads are needed for economic development, the railroads of the Region "yet are in decline." Finally, on page 148: "Except in unusual cases, industries do not find it feasible to locate in nonurban areas where transportation, utility, financial, business repair, educational and recreational services and facilities do not exist. Yet many such moderately-sized urban centers in the Region do not qualify for EDA designation." The plan document appears to be questioning the rationale of existing Federal legislative or administrative policy.

Two basic policy questions. One basic investment strategy question in the UGLRC area is this: Does additional job creation in the UGLRC area which does not close the income gap, but rather increases the number of jobs in the area paying below the national average--all these based in part on Federal investments to foster or sustain multiple remote small settlements or industrial parks--really represent a desirable course of action? Or does this approach further commit and lock in the UGLRC area to a configuration of small settlements which cannot be served by self-financing highways and railroads and which cannot attract highly paid, highly efficient modern industry? Is the multiple "remote, small settlements strategy" an economically viable or otherwise desirable strategy?

This investment strategy question is related to another interesting UGLRC objective (page 37) "of obtaining an economy with as much inmigration as outmigration and with unemployment reduced to a four percent level." It is understandable that largescale abrupt outmigration is

very disruptive and hampers the ability to pay for needed services for those who remain. However, if highly paid industries do not find it feasible to locate in small settlements, the only apparent way for individuals to raise their standards of living and close the income gap is to move to more productive job opportunities as these opportunities are identified. A second basic national policy question is this: Should the Federal government assistance efforts restrict the individual adjustment and movement to more productive jobs or speed the transition process by fostering urban agglomeration in a small number of efficient and promising communities and by emphasizing retraining and relocation (resettlement) programs?

Until these questions are answered convincingly and some form of national consensus is reached, we as a nation and the UGLRC as a regional body do not have any clear idea of what should be accomplished and we might actually be fostering actions which work to the detriment of the Region's population.

A number of the Commission's recommendations must be placed in this context. The suggestion of a "start-up grant" (page 149), for example, is not entirely without merit, but the analysis of the advantages and disadvantages is incomplete. The start-up grant could be used to foster a costly sprawl in economically inappropriate locations with no economic future, whereas the tax credit in theory involves (implicit) governmental expenditures only when good economic locations are selected by risk-bearing businesses. The Federal government presumably does not want to pay for transitions to what might well be an untenable geographic configuration of human settlements.

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To place all this in national perspective, it is desirable to note that national population growth in recent years has indeed tended to shift away from the ten largest metropolitan areas (except Boston) and toward smaller metropolitan areas and even to a lesser extent some rural areas. Moreover, the national population growth will increase by about 50 to 80 million persons by the year 2000 and continue to increase more slowly for several decades before tapering off if present demographic trends continue. How can the UGLRC area be expected to participate in this growth and to what extent will outcomes be influenced by the success of the Region in fostering geographically appropriate community settlement patterns and industrial location sites which can attract and sustain modern industry and highly paid jobs?

The funds available to the UGLRC are modest, but there is considerable opportunity to influence the formulation of strategies on the proper geographic distribution of human settlements and industrial investments. If the Commission brings the same high level of imagination and insight to this crucial problem that it has brought to a number of other problems it has tackled, then we think its influence can indeed be significant. In this regard, we would call attention to the possibility of bringing its regional perspective to bear on state comprehensive planning assisted by the HUD 701 comprehensive planning assistance program and on the land use element which by August 1977 is expected to see States taking positions on "where growth should and should not take place."

Mr. George W. Wright will represent HUD at the meeting on June 8, 1976, at 9:30 a.m. in Room 4833, Main Commerce Building.

Sincerely,

for Roosevelt Jones

David O. Meeker, Jr. FAIA, AIP
Assistant Secretary

## DON'T JUMP TO CONCLUSIONS ABOUT THE "NEW" POPULATION TRENDS

Recent interpretations of population trends have led many people to believe that urban expansion has been abruptly halted or even reversed. A closer investigation of the facts indicates that the greatest volumes of recent population growth are functionally urban - but the range of urban growth has extended far into the countryside and small towns within commuting range of the employment centers. Public policies enacted without consideration and understanding of these trends may risk being premature, inappropriate and costly.

Upper Midwest Council
Federal Reserve Bank Building
Minneapolis, Minnesota 55480
(612) 373-3724

Neil C. Gustafson
Associate Director
July 21, 1975

DON'T JUMP TO CONCLUSIONS ABOUT THE "NEW" POPULATION TRENDS

Post-1970 population estimates by the Bureau of the Census indicate that non-metropolitan areas are growing at a greater rate than metropolitan areas. Recent interpretations of these trends have led many people to believe that urban expansion has been abruptly halted or even reversed. Closer investigation of these data, especially as they relate to the Upper Midwest, indicate that such conclusions require clarification. Most of the population growth in the Upper Midwest has been and continues to be urban expansion, but the range of urban growth has extended far into the countryside and to the small towns within commuting range of the employment centers. The largest volumes of recent population growth in the Upper Midwest remain near and related to major urban areas. Furthermore, recent trends in non-metroplitan growth are not abrupt changes from the past; they are not essentially different from those trends apparent during the 1960s. The changing patterns of population distribution on the landscape represent accelerations of past trends and expressions of long-term desires, facilitated by increasing income and mobility.

Caution should be exercised in the interpretation of recent population statistics. Most reporting has emphasized the <u>rate</u> of post-1970 population changes rather than the volume. Thus, areas with small population bases may have experienced substantial rates of population growth, though not large numerical increases. Such is the case of the Upper Great Lakes area, which has been pointed out as a fast-growth area of national significance. A second statistical aberration results from the use of multi-county statistical gathering units

which do not identify differences of growth within multi-county areas. For example, a population breakdown by county for northeastern Minnesota provides a somewhat different perspective of recent population changes. Between 1970 and 1974 the entire net population growth in northeastern Minnesota occurred in the "amenity triangle" between Brainerd, Bemidji and Grand Rapids. The physical amenities of lakes, trees and hills in this north central Minnesota area have stimulated a rapid rate of population growth over the past decade. But a net growth volume of about 12,600[a] persons over 26,700 square miles of north central and northeastern Minnesota between 1970 and 1974 can hardly be interpreted as a return to the farm or the small town.

Three major patterns of population change have been prominent through the 1960s and early 1970s. The first has been the continuing population losses in those areas highly specialized in natural resource based economies - agriculture and mining in particular. Urban areas with diversified economies and expanding employment opportunities have drawn surplus population from the agricultural and mining areas of declining employment. As a result of these changes, large areas of the Upper Midwest continue to lose population.

The effects of population dispersal on agriculture are hidden in farm statistics, which suggest that the number of farms near urban areas has stabilized in recent years. A closer look at the data reveals that both the large scale commercial farms and the small "farms" are increasing in number while the marginally commercial middle-size farms have decreased in number. Some marginally commercial farms have become part-time farms, and some have been absorbed by the large farms, while others have been subdivided into retirement, recreational,

[a]Source: Minnesota State Planning Agency

residential and hobby "farms." These small non-commercial "urban farms" have often taken land out of agricultural production and precluded the reassembly of land into commercial scale agricultural units. In areas beyond convenient commuting distance to alternative employment opportunities, the farm consolidation process continues and has been the dominant factor influencing population changes. Sixteen counties in western, southwestern and southern Minnesota, the most productive agricultural areas of the state, lost population between 1970 and 1974, according to the State Planning Agency.

The second major population change is that of thinning and spreading urban population. This includes the gradually declining population in the older developed portions of urban areas and the increasing dispersal on the urban fringe. Age and family structure are important correlates of these shifts. The older population without children in the household tend to remain in established neighborhoods (less than 10% move to different locations for retirement purposes); single young adults are attracted to rental locations in urban areas; while middle class white families with children tend to disperse to the urban fringe within commuting range.

The largest numerical population growth in Minnesota during the 1970-74 period occurred in the first and second tier of counties immediately surrounding the two core counties of Hennepin and Ramsey - extending well beyond the "metropolitan area" as defined by the Census. The three closest non-core counties - Anoka, Dakota and Washington, which share part of the Twin Cities' urbanized area -

experienced substantial population growth between 1970 and 1974 (69,600 according to the Minnesota State Planning Agency and 82,500 according to the Twin Cities Metropolitan Council). Ten additional Minnesota and Wisconsin counties within 35 miles driving distance of Minneapolis or St. Paul gained a total of 63,500 in the four-year period.[b] Meanwhile, Hennepin and Ramsey Counties are reported to have lost population.[c] By comparison, the State Planning Agency reported the overall growth for Minnesota to be 110,900 persons over the four-year period.

These same patterns of thinning and spreading population also have been occurring around the small metropolitan and sub-metropolitan growth centers of the Upper Midwest, including Eau Claire, La Crosse, Rochester, St. Cloud, Sioux Falls, Rapid City, Fargo, Bismarck, Billings, Helena, Missoula and others. These trends support recent research which indicates that people tend to compromise the need for services and employment of urban areas with the desire to live in a small town or rural environment. In a national survey of residential preferences, Glenn Fuguitt and James Zuiches[d] found this compromise to occur within about 30 miles of an urban center.

[b]Sources: Minnesota State Planning Agency, Wisconsin Department of Administration, and Twin Cities Metropolitan Council. Wisconsin estimates are for January 1, Metropolitan Council estimates are for April 1, Minnesota State Planning estimates are for July 1.

[c]For the 1970-74 period, the Minnesota State Planning Agency has estimated population losses for Hennepin and Ramsey Counties totaling 49,800 persons, while the Metropolitan Council has estimated population increases for these counties of 57,400. The essential difference between the two estimates is concerned with the distribution of population within the state - including the volume and range of population dispersal around the state's urban areas.

[d]Glenn V. Fuguitt and James J. Zuiches, Residential Preference and Population Distribution: Results of a National Survey. Paper given at the Annual Meeting of the Rural Sociological Society, College Park, Maryland, August 24, 1973.

The third significant pattern of population change is the movement to scenic areas of physical amenities that include water, vegetation, topographic relief and moderate climate. This is a national phenomenon with increasing rates of population growth along the coasts, in the South, Southwest and Southeast, in parts of the Appalachians, the Ozarks and the Rockies, as well as the lake areas of Minnesota, Wisconsin and Michigan.

Only three Minnesota counties beyond convenient commuting range of the Twin Cities experienced population increases of more than 3,000 persons between 1970 and 1974. These were Olmsted, Stearns and Crow Wing, which include the urban areas of Rochester, St. Cloud and Brainerd, respectively. All of the counties in Minnesota experiencing a population growth of 1,000 or more were within metropolitan commuter range, other urban growth zones in the state, or in a region of high physical amenities. Growth rates have been fastest in those areas that have both pleasant rural environments (lakes, trees and hills), and are accessible to urban services and employment opportunities.

It is important to keep in mind that there is always a two-way flow of population. Those areas that experience net population losses have in-migration as well,

while those areas that are experiencing net growth also have out-migration. For example, the rapid growth rate areas of amenities within commuting distance are experiencing a net in-migration of all age groups (especially families with children) but a net out-migration of single young adults, who move to the urban centers for employment, education and, most importantly, social contacts. Most data only show the net population changes and give no indication of the dynamics of the two-way flow. Census data and recent observations suggest that the total two-way flow of population continues to increase between urban and rural locations. This tends to make population shifts increasingly responsive to the variety of living conditions that offer to satisfy personal life style preferences.

The desire of people to live in small towns and rural areas is not a new phenomenon. A strong strain of anti-urbanism was expressed in the Nineteenth Centu new town movement and the streetcar suburbs. It has been only in the past twenty-five years, or so, that a significant number of people have been able to realize their long-standing ambitions of residential preference as a result of greater personal income and mobility - and those ambitions are now being dramatically represented on the landscape. Most persons still choose to live within convenient access of employment and services, but as convenient commuting range doubles with improved highways, the number of square miles accessible for residential development increases four times. The late Twentieth Century version of the new town or streetcar suburb has become the dispersed residence in a scenic rural location.

Though non-economic factors appear to be an increasing consideration in the choice of residential location and more people are willing to make some economic

sacrifices in order to realize a preferred lifestyle, the availability of employment is still the single most important consideration. Other economic incentives that contribute to the dispersal pattern include low cost housing, agricultural tax write-offs and opportunities for land speculation. Over the past two decades the cost of transportation has been a minor consideration in residential choice. Increased energy costs had not shown any noticeable effects on personal choice of residence and patterns of population distribution to mid-1974.

Concurrent with the desire to live in small towns and rural areas is the dispersal of certain manufacturing industries - particularly those which are labor intensive, utilizing the productive and often low cost labor force found in rural areas of the Upper Midwest. Such industries are attracted in increasing numbers to those locations where many persons choose to live. In the meantime many of the "service" industries - education, health, finance, business, legal, government - continue to expand in and near the major urban centers - and contribute to their growth and influence.

As a result of these changing settlement patterns, one could describe the Upper Midwest, as well as the nation, as a series of low density, overlapping urban networks, with commuting and service areas linked together by efficient transportation and communication systems. The 1970-74 period has seen an increasingly wider range of residential options available within convenient distance to both services and employment, an acceleration of the patterns of population thinning and dispersal and a merging of urban and rural lifestyles.

There are some serious questions that these changes raise, including the best use of limited land resources, the efficient use of energy and the costs of

providing public services to a dispersed population. Policies (such as the Metropolitan Development Guide) that propose to manage these ongoing changes, or restrict personal choice, must consider both the causes of present conditions and the likely effects of policy changes. Not to do so may risk being premature or inappropriate, or of imposing long-term social, economic and environmental costs on the public.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUN 7 1976

Dear Mr. Eden:

We appreciate the opportunity to comment on the Regional Economic Development Plan of the Upper Great Lakes Regional Commission. The document appears to be sound, and improved over previous years. Generally, resource use and environmental concerns have been handled well.

This Department has very little, if any, potential programmatic involvement, since the main focus of the program is to upgrade existing and construct new industrial parks; provide infrastructure such as water and sewer service for industry in communities too small to provide them; and provide for a variety of means to increase dollar flow and circulation in the area, such as loans, guarantees, key public works spending, etc. Water resources do not receive much attention, and rightly so, since water quantity in the Region is no problem -- water quality being a major factor.

As with the previous report on the Ozark Region, we stand ready to provide technical assistance to the staff or constituency of the Upper Great Lakes Commission in fields of our expertise.

Sincerely,

Stanley D. Doremus

Stanley D. Doremus
Deputy Assistant Secretary--
Program Development and Budget

Mr. John W. Eden
Acting Executive Secretary
Federal Advisory Council on Regional
Economic Development
Department of Commerce
Washington, D. C. 20230

CONSERVE AMERICA'S ENERGY

*Save Energy and You Serve America!*

U.S. DEPARTMENT OF LABOR
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON

28 MAY 1976

MEMORANDUM FOR JOHN W. EDEN
Acting Executive Secretary
Federal Advisory Council on Regional
Economic Development

Subject: Review of Regional Development Plan of the Upper Great Lakes Region

I have reviewed with considerable interest the regional economic development plan prepared by the Upper Great Lakes Regional Commission.

In general, I found the UGLRC's plan to be a sophisticated and comprehensive document. The framework used by the Commission is certainly appropriate for the problem.

My detailed comments are attached.

Abraham Weiss

Abraham Weiss
Assistant Secretary for Policy,
Evaluation and Research

Attachment

## Comments on
## Planning and Progress in the Upper Great Lakes Region

Regional economic development plans, in order to be effective, must base their analysis and design with regard to maximizing the region's comparative advantage. Too often plans are initiated without carefully assessing the region's economic base. Appropriate questions to be raised include: what seems to be the trend for the region's leading industries, what industries can be induced to locate in the region, and, what social services and other amenities need to be provided to assist relocation? Without addressing these issues it is unlikely that an allocatively efficient mechanism for determining investment can be developed, necessitating an inefficient use of resources. The Upper Great Lakes Regional Commission's (UGLRC) report is an example of a plan that takes into account the above issues. If careful and directed thinking is any predictor of success, the UGLRC's plan should be very successful.

Before dealing with some issues that require further clarification, it should be noted that the investment criterion developed for the UGLRC is certainly appropriate and deserving of praise. This mechanism provides a series of weights for both broad classes of investment and attributes of the project within each class. Since the objective of the Commission's plan is to maximize employment, the weighting scheme allows for trade-offs between classes of projects and individual projects within a given class.

A fact implicitly recognized in the plan is that public grants and subsidies are not available in sufficient amounts to accomplish developmental objectives. Rather, projects are proposed and various strategies adopted to maximize incentives for private investments. Economic development is thus properly considered an activity of the private sector that is encouraged and complemented by the expenditure of public funds. In fact, the economic conditions in the Region seem to be entirely appropriate for the developmental program adopted by the Commission.

A number of issues can be raised concerning the weights attached to the investment allocation mechanism and the objective chosen by the Commission. Specifically, the inherent conflict between short-run and long-run objectives is not treated explicitly in the plan. The UGLRC has an incentive to favor short-run projects that essentially seek to modify existing social overhead capital rather than developing activities that change the Region's economic base (e.g., vocational education is given a weight of 1600 compared with industrial parks which has a weight of 2000). Uncertainty increases with extensions of one's planning horizon and this fact alone favors short-run projects. Thus the particular investment scheme chosen might be entirely appropriate but the issue of short-run versus long-run developmental objectives needs to be discussed in greater detail.

It also appears as though efficiency is the sole basis for intraregional allocation of investment. Employment rather than income or some combination of the two is chosen by the Commission as its allocative standard. Although the Region's economic characteristics might be such that distribution or equity issues do not present a problem, some discussion of this issue seems to be in order. In fact the Regional Development Act of 1975, the basis for the UGLRC's authority, is itself essentially a redistributive program. This issue needs further consideration.

In sum, the UGLRC's plan seems to be both comprehensive and appropriate for the problem at hand. Some of the issues need to be developed further but this will probably not change the essential features of the plan. It does appear to be both workable and effective.

OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

ASSISTANT SECRETARY

AUG 6 1976

Mr. John W. Eden
Acting Executive Secretary
Federal Advisory Council on Regional
Economic Development
Office of Regional Economic Coordination
Department of Commerce, Room 2092
Washington, D.C. 20230

Dear Mr. Eden:

This is in response to your memorandum of April 6, 1976. As requested, I have reviewed the regional economic development plan for the Upper Great Lakes Region and endorse its strategy of encouraging private sector investment by providing for the development of selected infrastructure. While it is obvious from the prominent position attributed to transportation development that the Commission has fully considered its role in connecting resources and production centers with markets (forward linkages), it is not clear that it has fully considered the developmental effect of the demand for resources for transportation systems (backward linkages).

I found the recommendation of additional incentive measures most interesting. These should be explored to gain additional flexibility and leverage. I am glad that the plan pointed out that such direct forms of assistance to private industry would require special treatment of the depreciation allowance as a deduction from taxable income.

In discussing the Industrial Development Fund technique, the plan mentioned a reliance on existing Federal agencies to carry out projects to provide quick response to community facility needs. I feel that the premise that the agencies have the administrative apparatus and personnel to respond quickly should be critically reexamined. As a practical matter, the agencies may not be able to respond to unprogrammed requirements in the time frame the plan envisions.

The treatment of highway requirements for the region is predicated on the "lateral backbone" thruway. It is not clear what the prognosis for completing the thruway may be. There appears to be a need to develop a highway plan to serve the interim needs of the region. It should be compatible with the "lateral backbone," but it should not be dependent on it for viability. The highway plan should specifically include consideration of highway borne public transportation, especially in view of the point that the tourism industry is dependent on fuel supplies.

The plan recognizes the potential of commercial transportation via the Great Lakes and the need to resolve problems outside the region in order to achieve the potential. The plan should also consider further the need for intermodal coordination within the region to enhance the potential benefits.

I sincerely hope that these comments will be helpful in strengthening the plan to realize optimal results in regional development.

Sincerely,

Sleaver S. Seagrave

(for) Robert Henri Binder
Assistant Secretary for
Policy, Plans and International Affairs

COMMENTS BY THE ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION WERE NOT RECEIVED IN TIME TO BE INCLUDED.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JUN 4 1976

Mr. John W. Eden
Federal Advisory Council on
Regional Economic Development
United States Department of Commerce
Washington, D. C. 20230

Dear Mr. Eden:

This is in response to your memorandum of May 4. EPA's comments on the Upper Great Lakes Regional Economic Development Plan are enclosed. Mr. William Burke of our Economic Analysis Division will represent the Agency at the meeting scheduled for June 8.

Sincerely,

Paul A. Brands
Paul A. Brands
Deputy Assistant Administrator
for Planning and Evaluation

Enclosure

EPA Comments on the Regional Economic Development Plan of the Upper Great Lakes Regional Commission (March 1976)

This plan is basically well conceived. It adequately recognizes the constraints on planning and implementation efforts imposed by the limited authorities and funds granted to the Commission. The plan realistically sees the Commission's function as essentially that of a development catalyst in the Region rather than as a "prime mover" of forces and events.

Some specific comments:

- It is reassuring that the framers of the plan recognize and intend to preserve the quality of the natural environment in the development effort. However, as in most areas of the national economy, environmental requirements seem to be in severe competition with other demands on available funds (Chapter III). Given the acknowledged importance of the resource-based major industries in the Region, perhaps demands of the environment should be accorded a higher priority. The quality of the natural environment is an important inducement not only to the tourist trade but as a lure to industry as well, in line with the plan's recognition (pp. 3, 4) of the national trend toward decentralization and toward new plant locations in small cities and towns.

- In addition to the recognition of physical, political, and economic limitations, the plan is distinctive in its reliance on selective screening of projects. However, the treatment of the Federal input warrants further discussion. In the 1970-1975 period, $382 million in Federal funds was anticipated (pp. 35, 47). Only $42 million was realized. Concurrently, a second vital element (p. 47), that is the authority to offer direct incentives to industry to locate in the Region, was not granted to the Commission. Nevertheless, more than 50% of the new jobs goal was realized. This suggests the operation of significant natural forces of development not identified (but acknowledged, p. 39) in the original or revised plan, or it suggests error in the original calculation of requirements. In either case, further analysis would seem warranted to reinforce the credibility of the estimated $99 million in Federal funds called for (p. 12) in the three-year extension. Analysis and understanding of the "powerful forces" (p. 39) at work perhaps can offer the Commission some new insights and possibly a new focus or emphasis for its activities. Specifically, what trends not related to Commission efforts exist? Where and why did the Federal input fall short? What are the possibilities, and implications, of Federal funding for the extended plans not being realized? Federal and State funding unquestionably are important elements in the planning exercise,

but, as noted in the text (p. 140), "to point to a solution to a problem does not automatically trigger a feasible response." What are the options suggested to take up the possible (probable) slack in Federal involvement, as in the initial 5-year plan?

. On p. 29 there is a discussion of the principle of Federal revenue sharing, with maximum local autonomy recommended in use of Federal funds. This is an appeal for Federal funding of a specific kind, with minimum controls. It would be interesting, and helpful, to know of specific examples where the advantages of the principle have been demonstrated...and where, on the other hand, adherence to guidance by "relatively inflexible national formulae" has presented problems and retarded development in the Region.

. The "evident conclusion" set forth on p. 31 in respect to the advantages of development in lagging regions ("minimal inflationary cost to the nation") is not at all evident. It is an oversimplification to cite the gains on the inflationary front while ignoring questions of cost-effectiveness, the national mobility of labor, and other considerations. For example, what would it take to induce mobility in the labor force of Appalachia, even to contiguous areas? Or to induce new plant siting in that particular region? How is the inventory of skills in the manpower base to be upgraded?

. The assumptions on pp. 40-41 regarding the projections on the rate of employment growth are questionable. The discussion suggests that the progress in job growth of the very recent past is soft and not likely to be resumed with the recovery of the national economy. However, no explanation for this lack of confidence in continued gains is given. Nor is there a persuasive case developed for accepting a very conservative rate of growth by diluting the recent high growth period with slow growth data from past trends. In short, more analysis needs to be undertaken in calculating the projected 1980 job gap. Specifically, where has the recent growth been concentrated and why should not the recent growth pattern be resumed in conjunction with the "return to normalcy" of the national economy?

. The technical transfer activities (p. 94) in cooperation with universities in the Region to ensure that small business can keep up with new developments is noteworthy. Our experience with environmental impacts on industry reveals that it is in most cases the small, struggling firm that is most vulnerable to the impacts of pollution control expenditures. It might be advisable to enhance the work of the business management centers by inviting guest lecturers from the Small Business Administration, especially SBA's SCORE program (Service Corp of Retired Executives). Inputs from SBA and other government agencies, if they are not already a part of the business/university relationship, could provide new perspective and insights on prospective impacts, problems, and solutions.

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

MAY 17 1976

Mr. John W. Eden
Office of Regional Economic
Coordination
U. S. Department of Commerce
Room 2092
Washington, D. C. 20230

Dear Mr. Eden:

Thank you for sending us a copy of the Upper Great Lakes Regional Economic Development Plan. I have no comments on the Plan, other than it appears to me to be a good one. It is unfortunate that the funding levels have fallen short of the original projections. Regrettably, the Federal Energy Administration has no funds available for projects of this type.

I believe such joint efforts among states and various levels of government are the most beneficial method for dealing with many of the issues facing us today.

I look forward to discussing this Plan at the June 8 meeting.

Sincerely,

Robert G. Davis

Robert G. Davis
Acting Director
Intergovernmental, Regional
and Special Programs

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

JUN 07 1976

Mr. John W. Eden
Acting Executive Secretary
Federal Advisory Council on
Regional Economic Development
U. S. Department of Commerce
Room 2092
Washington, D. C. 20230

Dear Mr. Eden:

Thank you for the opportunity to review and comment on the Upper Great Lakes Region's Economic Development Plan draft report. I submit the comments which follow.

This report relates what appears to be an outstanding example of creative Federalism insofar as the Upper Great Lakes Regional Commission's concepts and planning are concerned. In its supplemental grant investments and its technical and demonstration investments for the 5-year planning period 1970-1975, the UGLRC showed generally sound and farsighted applications of regional economics by the Commission and perhaps also by the three constituent states. The Commission's accomplishments were perhaps more noteworthy for having to be scaled down, fundwise, by 72 percent--from $151 million to $42.2 million.

For the next three years, 1976-1978, the UGLRC recommends a change in the enabling legislation for Title V Commissions to permit it to expand its encouragement to private investment by offering direct financial incentives in addition to the economic infrastructure improvements authorized for the first five years. Of interest to the Small Business Administration is the inclusion of business loans and/or loan guarantees among the three funding methods proposed for direct incentives to private investment. SBA, of course, has been using this method in its business loan and local development loan programs for many years, and has made many loans in the Upper Great Lakes Region.

As in the Ozarks Regional Commission's report, however, the UGLRC report depends too much on per capita income rates as a major indicator of living standards and economic need. It means little to compare per capita incomes of one region with those of other regions or with the national average unless living-cost differentials are also taken into account.

Conspicuous by its absence was any reference to results of the benefit/cost analyses of the various components of the original 5-year program which analyses should have preceded an economic development program of this magnitude. In other words, the program looks great, but was it worth it as compared to other national priorities not yet acted upon?

On p. 52 it is stated that the UGLRC "has occasioned a total investment in its projects of over $200 million," whereas the supporting data shows only $186.3 million, including the $13.6 million for technical and demonstration investments. More importantly, in employing verbs like "occasioned," "triggered," "provoked," and "spurred," the UGLRC is saying that its own project investments were the main cause of the larger total of investments in those projects by other public and private sources. There is nothing wrong, in a report of this type, with a Federal agency claiming just credit for being the prime mover as long as it is reasonably sure that the projects in question would not have been started, or the investments made, without its support.

UGLRC did well to point out the superiority of business loans and start-up grants over income tax credits as a direct incentive to private investment. Loans and start-up grants are not only a more reliable incentive than tax credits but are also more timely and more controllable in amount.

We will be pleased to discuss the Plan with the Upper Great Lakes Regional Commission at the June 8 meeting.

Sincerely,

Dan T. Kingsley

Daniel T. Kingsley
Associate Administrator
for Operations

Enclosure

THE APPALACHIAN REGIONAL COMMISSION
1666 CONNECTICUT AVENUE
WASHINGTON, D.C. 20235

OFFICE OF
FEDERAL COCHAIRMAN

June 1, 1976

Mr. John W. Eden
Acting Special Assistant to the Secretary
for Regional Economic Coordination
United States Department of Commerce
Washington, D.C. 20230

Dear Mr. Eden:

Per your request I have reviewed the report of the UGLRC on "Planning and Progress in the Upper Great Lakes Region".

The above report is a well written document of four chapters which outlines the past investments of the Commission in the Upper Great Lakes Region from 1968 to date, and identifies the future recommended strategies and programs to achieve definitive job and income targets in the near future for the region.

Chapter I is Regional Economic Trends 1970-74. This chapter is an analysis of the economic and demographic trends in the region with details for each of the region's separate state parts, but with no further analysis of the particular counties except in specific references.

The report states on page 24 that major employment gains over the 1970-74 period occurred in wholesale and retail trade, services, government and manufacturing, without specific data showing the distribution of such employment.

Unemployment data (p. 25) is provided for 1974 and not beyond. There are unemployment data available for 1975 and preliminary estimates for 1976, which the report should have used.

The report fails to identify the major reasons behind the 1970-73 changes in labor force, employed and unemployed (p.25). For example, a major cause of change can be due to changes in participation rates of females, young people, and retirees.

Finally, the report doesn't show any investigation or analysis as to why the Upper Great Lakes Region's economy lagged behind the nation in economic growth in the seventies. Considering the importance of the creation of new jobs as a whole to the region, the data is very minimal with little analysis.

Chapter II is Planning Strategies and Goals. Here the report seems to be getting into a lot of speculation on several trends and issues and is also confusing regarding the future investment strategy.

First, the report assumes the trend of population movement to small towns will continue, and implies that such a trend is beneficial to the region. Does that imply a strategy by the Commission to gear investments to small and rural areas?

Second, the report seems to see a role and a function for the regional commissions in combatting inflation by use of untapped or underutilized resources. While most Federal, state, and local government investments in the economic development field do have an impact on the utilization of underused resources, the causes of inflation, as well as the cures, lie mostly within national cyclical trends, national aggregate demand, and within the realm of national fiscal and monetary policies.

The basic program of the plan's strategy is to increase employment in the region and close the employment gap. While it is a worthy objective for a region beset by high unemployment rate, the report strives to adhere to rigid quantitative employment targets within specific future dates. Such a strategy might box in planning efforts and limit planning flexibility. Secondly, other goals and related objectives are needed, especially since they affect future employment.

On page 32 the report assumes a direct relationship between employment and income. While employment increases might lead to income increases, it doesn't necessarily mean per capita income or median income increases. It could mean no change or even declines in per capita income (p. 33).

The report states an ideal or optimum target of 1,209,400 jobs by 1980; what is ideal or optimum, and why such a target (p.33)?

On page 34 of the plan is stated its five year plan and program for investments as if its meager public investments will directly alter private capital formation, private investment decisions, aggregate demand, and plant locations to make a definite quantitative employment gain at definite future dates. Obviously, such a relationship doesn't exist. If it did, we are certain that it would take more than the Commission's investments and the commitments of other private and public institutions to achieve these goals. Also the report seems to contain the inherent bias (p. 37) that unemployment is a national phenomenon and that alleviating unemployment in the region in the past few years is due to the Commission's programs and policies. This is too much of an assumption.

In conclusion, the report's goal of bridging the employment gap is too restrictive. It should be pointed out that as employment opportunities increase in the region, immigration might result; and as a consequence of immigration, within a certain period unemployment might increase again. Secondly, recent research has shown that new employment opportunities are absorbed mostly by new migrants rather than by the unemployed local labor force.

Chapter III is entitled "Impact of Program to Date: An Initial Evaluation." This is a misleading title because the chapter is a mixture of (1) evaluation of potentials, problems, and needs of the region; (2) statement of Commission's objectives; and (3) a reiteration of the past investments in various projects.

The section on Project Selection Process is a bold attempt at establishing a criteria for assigning priorities to projects through a weighing system. While the process is an attempt at objectively ranking projects in accordance with their relationship to economic growth and development, it underlies a lot of pitfalls which, if not regarded carefully, might result in a skewed investment strategy which might defeat the basic objectives and intent of the plan. The weighing system of projects is first arbitrary; second, the weights presume a priority difference of impact on economic development; third, the process ignores timing and sequence of project implementation; fourth, the process ignores the importance of the mix of projects and the inherent complementaries between projects and among projects; finally, the process ignores the size and scale characteristics of projects within the same categories and among categories.

The report does a good job in the analysis of project distribution by location and by population concentration, but fails to establish a criteria to tie locational strategy to overall investment strategy in accordance with regional objectives and local needs.

The "impact" analysis as it is stated in the plan in Chapter III in terms of employment gains due to particular projects assumes that employment growth is particularly due to UGLRC specific investments. Also the impact analysis ignores the multiplier effects of basic employment versus non-basic. Thirdly, the impact analysis is confined to industrial parks and sewer and water only, and not other complementary investments.

The details by which the plan elaborates on the specific programs and projects done by the Commission is commendable. The recommended programs and new investments for the future are well thought and innovative indeed. The specific dollar allocations advocated are not well documented as to why such amounts are needed and their specific relationships to specific area needs.

Finally, concerning the plan as a whole, the document contains little analysis of the role of State Planning and Economic Development Districts in the planning process and investment decisions.

Second, there is no statement of state and local objectives and how these objectives are reconciled with regional and Federal objectives.

Third, the plan is overly tilted toward manufacturing investments as a generator of jobs.

Fifth, the plan advocates implementation of various new and apparently innovative programs to assist the private sector before the experimentation with such programs in terms of demonstrations, pilot projects, or feasibility studies. Such an endeavor is particularly significant wih regard to programs that succeeded in places like Sweden, Canada, and Britain.

Finally, the plan should have a chapter on implementation of programs and strategies at the state and local level, as well as an assessment of fiscal capabilities for local jurisdictions.

In conclusion, the plan is an excellent report in terms of its stress on the importance of the private sector and incentives for the private sector and the role of public and regional bodies with regard to private activities and coordination of such activities.

The ARC certainly can benefit from the experience of UGLRC in the field of tieing the public decision-making to the private sector, as well as in the area of natural resources and timber development.

Mr. Salim Kublawi of my staff will be attending the meeting of the Federal Advisory Council on Regional Economic Development on June 8 on my behalf. If you have any questions, you may contact him at 673-7288.

Sincerely,

For DONALD W. WHITEHEAD
Federal Cochairman

COASTAL PLAINS REGIONAL COMMISSION
2000 L STREET. N.W.
WASHINGTON, D.C. 20036

May 10, 1976

OFFICE OF FEDERAL COCHAIRMAN

AREA CODE 202 967-3753

MEMORANDUM

TO: Mr. George Milner
Deputy Director
Office of Regional Economic Coordination

FROM: Ward Miller, Jr.
Federal Programs Planning and Liaison Officer

SUBJECT: Upper Great Lakes Commission Regional Plan Review

In response to Mr. Eden's recent request, attached are comments prepared by Mr. Butler's staff on the Upper Great Lakes draft plan.

Attachment

COASTAL PLAINS REGIONAL COMMISSION • 215 East Bay Street • Charleston, South Carolina 29401

April 27, 1976

MEMORANDUM

TO : Mr. Ward Miller, Jr.

FROM : James W. Butler

SUBJECT : Upper Great Lakes Commission Regional Plan
Staff Review

The foundation of the Upper Great Lakes Regional Plan rests upon the tenet that the Region's major economic problem is the lack of jobs, which creates a worsening and self-perpetuating economic cycle. This basic premise was the foundation of the Upper Great Lakes (UGL) Plan in 1970, and the present update calls essentially for the extension of that same regional development strategy, with a reshaping of activities and projects to meet the Region's changed circumstances, needs, and capabilities.

The UGL Plan has as its main objective closing a projected 1980 "job gap"; that is, the difference between the number of jobs and the number of job seekers - of 165,000. That objective was identified in 1970 and is carried forward in the update.

The UGL strategy for closing this gap is programmatically arranged in six (6) areas: (1) Industrial Development, (2) Energy and Transportation, (3) Human Resources Development, (4) Tourism and Recreation Development, (5) Natural Resources Development, and (6) Government Services and Planning. (UGL has a special program called the "Highway Backbone System", a major east-west highway route from Canada across the Region, which is not an "established" program area.)

Each of these six (6) areas calls for the following level of funding for the period 1976-1978:

| | | |
|---|---|---|
| (1) | Industrial Development | $21,000,000 |
| (2) | Energy and Transportation | 30,000,000 |
| (3) | Human Resources | 15,000,000 |
| (4) | Tourism & Development | 21,000,000 |
| (5) | Natural Resources | 9,000,000 |
| (6) | Govt. Services & Planning | 3,000,000 |
| | | $ 99,000,000 |

(803) 723-5326

The Plan contains no information as to how the funding levels were derived. The Plan states that 53,000 jobs were created during the period 1970-1974, more than half the 100,000 goal established in 1970. It also states that the 1970 Plan called for Federal expenditures of $151,000,000 over the period 1970-1974 when only $42,000,000 was actually appropriated. For the period 1976-1978, Federal appropriations requested totalled $99,000,000. However, with this funding information provided, as well as the number of jobs hoped to be created, no link between the two is expressed.

The UGL Commission Plan treats changes that have taken place in the Region's economy adequately enough to explain modifications which are made in the overall program. For example, the officially acknowledged turn-about in population movement in favor of small cities and towns is discussed. This phenomenon is true not only of UGL's Region but of CPRC's Region and others.

In addition to presenting discussions of the overall UGL Region economy, several new concepts are presented in the Plan which offer support to the concept that Title V Commissions are innovative in nature. One example of this is that UGL has instituted inter-State task forces and approaches to common problems. That is, special task forces are established to solve problems rather than assigning a given problem to a standing committee as is done by CPRC and others.

In another instance, UGL encourages the extension of EDA Title IX authority under the Public Works and Economic Development Act of 1965 for the demonstration of alternative business incentive programs, and offers outright grants as incentives to either start up new businesses or encourage existing businesses to expand or relocate in economically depressed areas. Other innovative concepts are brought out in the Plan in addition to the above.

A discussion on the evaluation of Commission projects is presented in considerable detail (101 pages out of 191) and includes methodology for project selection criteria. The evaluation system closely resembles the evaluation conducted by Appalachia on Industrial Parks. The system assigns a scale of weighted values; first, to the relative merits of general groups or classes of projects, and secondly, to the relative merits of the individual projects within those general classes, based

largely on each project's direct and ultimate impact on stimulating employment-creating private investments.

"Regional Development Alternatives and Recommendations" is the title of Chapter 4 (the last chapter), and it is here that the majority of planning for 1976-1978 is contained. This chapter is a good presentation of the projects and programs needing attention, and it is based on updated information. This chapter is a bit long on things which "could" be done, rather than what "will" be done. However, room is left for experiments in a number of project areas rather than a more narrow focus, which is good.

The concluding section of the Plan deals heavily with Commission involvement with sub-State Districts. The Plan would have the reader believe that UGL strongly supports the District concept to the point of providing recurring administrative grants. However, upon discussing this with Mr. Ray Fingerson of the UGL, the Federal Cochairman's staff, and Mr. Farnham Alston, who wrote the Plan, such is not the case. Districts are funded "for particular planning and government service projects which promise aid in the development of the Region". These projects arise on an individual District basis, and administrative funding for all Districts is not likely to occur in the near future.

**OLD WEST REGIONAL COMMISSION**

*Federal Office:*
1730 K Street, N.W.
Suite 426
Washington, D.C. 20006
202/634-3907

June 7, 1976

MEMORANDUM

TO: John Eden

FROM: Warren C. Wood Warren C. Wood

SUBJECT: Upper Great Lakes Economic Development Plan

We have reviewed the Upper Great Lakes Commission plan. The Commission's comments are contained in the attached memo to me by Dr. Phillip D. Brooks, our staff economist. I hope they will be helpful.

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

*Regional Offices:*

201 Main Street
Suite D
Rapid City, S.D. 57701
605/348-6310

The Fratt Building
Suite 306A
Billings, Montana 59101
406/245-6711 Ext. 6665

**OLD WEST REGIONAL COMMISSION**

201 Main Street
Suite D
Rapid City, S.D. 57701
605/348-6310

JUN 02 1976

May 31, 1976

MEMORANDUM

TO: Warren C. Wood, Federal Co-Chairman

FROM: Phillip D. Brooks, Senior Economist Phillip D. Brooks

SUBJECT: Review of the Regional Economic Development Plan of the Upper Great Lakes Regional Commission

My comments on the Upper Great Lakes Plan fall into two categories: comments that apply in general to the documents and more specific comments concerning the documents' summary and particular chapters. All my comments are given in the spirit of trying to strengthen the document.

I. General Comments

A. The overall document is somewhat dated. This applies to the socioeconomic data analysis as well as to project evaluation.

B. Poor documentation of the material in the plan. Sources of data are rarely cited.

C. The language of the document in places seems self-serving.

II. Specific Comments

A. Summary

1. Page 3, next to last paragraph - Misleading overstatement of the "hidden unemployed" factor on the Region's 1973 unemployment rate. Chapter I identifies another important factor of in-migration of workers seeking jobs in response to economic growth in excess of job openings.

2. Pages 3-4, 1st paragraph of the Planning Strategy and Goals section - The Commission seems to be trying to take full credit for a

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

Federal Office:
1730 K Street, N.W.
Suite 426
Washington, D.C. 20006
202/967-3491

Regional Office—Billings
The Fratt Building
Suite 306A
Billings, Montana 59101
406/245-6711 Ext. 6665

national industrial decentralization trend and recent employment growth in the Upper Great Lakes Region. The forces affecting both are much, much greater than that of a Regional Commission as pointed out in part in Chapter II (bottom of page 39) of the document. The summary would be more meaningful if the language of page 39 was included in this section.

3. Page 4, 3rd full paragraph - The actual appropriation of $42 million refers to the 1968-75 period (see page 6) rather than the indicated 1970-75 period.

B. Chapter I - Regional Economic Trends, 1970-74

1. Misleading chapter heading (same heading is used in the Summary). A title that corresponds more closely to the subject matter of this chapter would be: Regional Economic-Demographic Trends in the Early 1970's. The only information in the chapter for 1974 is employment data. The last year for population and unemployment information is 1973, and 1972 data represents the most current information on income.

2. Lack of data on environmental conditions is a major omission of this chapter.

3. Page 15 - A cautious note on population estimates for 1970-73 should have been interjected. The 176,973 growth in population for 1970-73 is not as firm a number as the 170,576 increase for 1960-70. The latter population change is based on a census count. Cruder estimation procedures were the basis of the estimate for 1970-73.

4. Page 18 - It is inconsistent with the other data in the chapter to begin a description of income data with 1969 instead of 1970.

5. A general map identifying the counties in the Region by name (like the one on page 59) would be helpful in following the descriptive analysis of this chapter.

6. Page 22 - 1st paragraph - Per capita income does not necessarily grow with an increase in employment opportunities. This very important point is omitted from the discussion.

7. Page 22 - 2nd paragraph - Income growth has not been striking, growing only at the national average (see page 21).

8. Page 24 - The implication that the tourist-recreation industry was responsible for growth of employment in the general categories of

wholesale-retail trade and other services needs to be substantiated.

9. Pages 24-26 - Interesting discussion of the unemployment problem.

C. Chapter II - Planning Strategy and Goals

1. Pages 30-31 - Interesting discussion of inflation and economic growth in "lagging" areas.

2. Pages 32-33 - Discussion of the employment-income relationship ignores the effect of in-migrating workers and families on per capita income. The assumption seems to be that there would be no in-migration in response to employment opportunities. This is highly unrealistic. A region cannot build a wall around itself to keep people out so that all new jobs go to indigenous unemployed people and thus automatically raise per capita income of the area.

3. Page 36 - Restoring and maintaining the quality of the environment is better identified as a separate goal rather than a strategy to obtain an employment goal because enhancing the environment many times is in competition with, rather than in support of, increasing employment.

4. Page 37 - The linking of the unemployment objective of 4% with an employment goal of 165,000 jobs by 1980 seems to have ignored the important "hidden unemployment" problem in the Region. It is unclear if the projection procedures (described on page 33) used to estimate a job gap at 165,000 accounted for this phenomenon. If they did not, then there is a significant problem in evaluating the job creating programs of the Commission.

5. Pages 40-41 - A detailed analysis of what caused the economic growth in the Region in the early 1970's would be helpful in the discussion of economic policy.

6. Page 43 - As the Commission approaches its employment goal, further consideration should be given to the creation of higher wage jobs in order to increase per capita income as well as to possible areas where economic growth restraints seem appropriate.

D. Chapter III - Impact of Program to Date: An Initial Evaluation

1. Chapter III describes a number of interesting projects, including a detailed outline of six industrial development projects. However the chapter suffers from the lack of a thorough evaluation of the impact of the Commission's program in terms of its employment goal. The important question of what would have happened if the

Commission had done nothing was not addressed. This question is critical to an evaluation.

2. Chapter III is somewhat dated as represented by the first sentence of the chapter indicating that it has been four years since the adoption of the Commission's long-range development plan, and by not including FY75 projects in the evaluation.

3. Pages 48-52 and Appendix D - The project screening model is very helpful in systematizing information on project impact. However, the weights used in the model seem somewhat arbitrary. Modifications in the weights would change the outcome of the model (the list of recommended projects).

4. Pages 66-91 - These pages deal with an evaluation of industrial development investments. A very important question is omitted, namely, would the plant have located where it did or expanded at its present location without government assitance in the form of industrial park development? If the answer is yes or probably yes, then there is no need for this type of program. If no or probably no, then obviously there is a need. Many strong forces besides government actions influence industrial location decisions.

5. Page 70 - Table on this page is not referred to in the verbal discussion. Also the meaning of the category of "Cost per job served" needs to be identified.

6. Page 112 - last paragraph - Other factors that contributed to increasing the beef population, e. g. market conditions, need to be identified. for a fairer evaluation.

E. Chapter IV - Regional Development Alternatives and Recommendations

1. Pages 145-159 - Good discussion of alternative industrial development programs including those used in other countries as well as a recommended policy for the Upper Great Lakes Commission.

2. Industrial development programs of any Commission logically should be coordinated with a national population distribution policy.

3. Page 149 - What is the basis for the statement that a loan fund of $30,000,000 would generate 4,500 jobs?

4. Page 150 - A positive benefit cost ratio for a specific program (such as the incentive program described on this page) needs to be

compared with ratios for other programs in order to help decide which policy to undertake.

5. Pages 150-152 - The start-up grant program discussed on these pages represents a direct assistance program. In any such government assitance program the issue of a limitation on profits in the absence of repayment of the grant must be addressed.

6. Page 161 - Improving the transportation system is a necessary, but not a sufficient, condition for economic growth, i. e., growth may still not happen if other constraints aren't eliminated.

DEPARTMENT OF THE ARMY
NORTH CENTRAL DIVISION, CORPS OF ENGINEERS
536 SOUTH CLARK STREET
CHICAGO, ILLINOIS 60605

NCDPD-PF

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JUN 1 1976

Upper Great Lakes
Regional Commission

28 MAY 1976

Mr. Raymond C. Anderson
Federal Co-Chairman
Upper Great Lakes Regional Commission
Room 2093
U.S. Department of Commerce
14th and E Streets, N.W.
Washington, D.C. 20230

Dear Mr. Anderson:

Thank you for the opportunity to review your report, Planning and Progress in the Upper Great Lakes Region. I complement your staff on an excellent report.

The area within the purview of the Upper Great Lakes Regional Commission includes portions of three Districts within the North Central Division - St. Paul, Chicago, and Detroit. Your staff has participated in several studies including the Great Lakes-St. Lawrence Seaway Navigation Season Extension Study and the Northport Harbor Study.

We have several ongoing studies affecting the upper Great Lakes Region as follows:

- Commercial Navigation
  - Great Lakes-St. Lawrence Seaway Navigation Season Extension
  - Great Lakes Connecting Channels and Harbors Study
  - Duluth-Superior Harbor Study
  - Cleveland Harbor Study
  - Grand Haven Harbor and River
  - Grand Marais, Michigan
- Recreational Boating
  - Mississippi River Auxiliary Locks
  - Harbors between Kenosha and Kewaunee
  - Northport Harbor, Wisconsin (authorized project)

VANGUARD OF FREEDOM BICENTENNIAL 1775 1975 UNITED STATES ARMY

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

NCDPD-PF
Mr. Raymond C. Anderson

Other Studies
Great Lakes Shoreland Damage
Duluth-Superior Urban Study

2 C MAY 1976

I am suggesting that the District Engineers contact you as a participant in these studies. Their names and addresses are included.

I look forward to continued cooperation which I am sure will benefit both the Corps of Engineers and Upper Great Lakes Regional Commission.

Sincerely yours,

ROBERT L. MOORE
Brigadier General, USA
Division Engineer

1 Incl
District Addresses
of Buffalo, Chicago,
Detroit and St. Paul

Colonel Bernard C. Hughes
U.S. Army Engineer District, BUFFALO
1776 Niagara Street
Buffalo, New York 14207

Colonel Andrew C. Remson, Jr.
U.S. Army Engineer District, CHICAGO
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U.S. Army Engineer District, DETROIT
P. O. Box 1027
Detroit, Michigan 48231

Colonel Forrest T. Gay, III
U.S. Army Engineer District, ST. PAUL
1135 U.S. Post Office and Custom House
St. Paul, Minnesota 55101

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
REGION V
230 SOUTH DEARBORN ST.
CHICAGO, ILLINOIS 60604

MAY 1 1 1976

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MAY 1 3 1976

Upper Great Lakes
Regional Commission

Mr. Raymond C. Anderson
Federal Cochairman
Upper Great Lakes Regional Commission
Room 2093, U.S. Department of Commerce
14th & E Streets, N.W.
Washington, D. C. 20230

Dear Mr. Anderson:

Thank you for providing us with a copy of the Commission's Comprehensive Long Range Economic Development Plan. I note with interest the Commission's investments in water and sewer systems and in the restoration of renewable resources.

I can offer no substantive comments or recommendations concerning the plan, but it appears that its contents will prove useful as input for several comprehensive resource studies in which we are currently involved.

Sincerely yours,

George R. Alexander, Jr.
Regional Administrator

FEDERAL ENERGY ADMINISTRATION
REGION V
Room A333 – 175 W. Jackson
Chicago, Illinois 60604

May 3, 1976

RECEIVED

MAY 6 - 1976

Upper Great Lakes
Regional Commission

Mr. Raymond C. Anderson
Federal Co-chairman
Upper Great Lakes Regional Commission
Room 2093
U. S. Department of Commerce
14th and E Streets, N.W.
Washington, D.C. 20230

Dear Sir:

We have reviewed the report entitled, "Planning and Progress in the Upper Great Lakes Region," which was sent to our Regional Administrator, Mr. N. Allen Andersen, on April 2, 1976.

We commend your efforts and thank you for providing us with this information. Please continue to keep us informed in areas which may be of FEA concern.

Sincerely,

David L Stein

David L. Stein, Director
Energy Resource Development Programs

U. S. GOVERNMENT
SMALL BUSINESS ADMINISTRATION

REGION V

April 30, 1976

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MAY 4 - 1976

Upper Great Lakes
Regional Commission

Mr. Raymond C. Anderson
Federal Co-Chairman
Upper Great Lakes Regional Commission
U. S. Dept. of Commerce - Rm. 2093
14th & E Streets, N.W.
Washington, D. C. 20230

Dear Mr. Anderson:

This region has reviewed the Commission's revision to its' Comprehensive Long Range Economic Development Plan initially approved in December, 1970. The new priorities established for the Upper Great Lakes Region are in basic agreement with our assessment of the economic experiences and needs in this geographical area. Furthermore, our Local Development Company loan program, which is designed to assist in creation of employment, has interacted with many of the project investments made by the Upper Great Lakes Regional Commission during the period 1968 through 1974.

The District Directors of the Small Business Administration in the States of Minnesota, Wisconsin, and Michigan have expressed continuing interest in the projects funded by the Upper Great Lakes Region within their operational area. While we are concerned as to funding limitations in our Local Development Company loan program, the individual District Directors desire to be informed of near-term projects being funded for purposes of coordinating efforts. I would ask you, therefore, to notify the applicable District Director at such time as projects are approved for funding by the Upper Great Lakes Region Commission especially when related commercial ventures are contemplated. Industrial parks, buildings, sawmills, recreation areas, marinas are examples of project investments that this Agency could possibly assist through several of our program areas. The attached listing of District Directors with mailing addresses and phone numbers is provided to you for such notification.

I appreciate your thoughtfulness in providing my office with a copy of the revision to the Comprehensive Long Range Economic Plan.

Sincerely,

H. L. Aronson, Jr.
Regional Director

Chicago Regional Office, 219 S. Dearborn St., Chicago, Ill. 60604
*Serving the States of Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin*

## DISTRICT DIRECTORS
## SMALL BUSINESS ADMINISTRATION

PAUL W. JANSEN
District Director
Plymouth Bldg. - 12 S. Sixth St.
Minneapolis, Minn. 55402

725-2928

LUCIAN G. SCHLIMGEN, JR.
District Director
122 W. Washington Ave.
Madison, Wisconsin 53703

364-5267

RAY HARSHMAN
District Director
McNamara Bldg - 477 Michigan Ave.
Detroit, Michigan 48226

226-7240

# APPENDIX B

# WRITTEN STATEMENTS
# OF
# DEPARTMENT OF COMMERCE UNITS

CENTAUR MANAGEMENT CONSULTANTS, INC.

MEMORANDUM May 24, 1976

TO: Dr. Robert M. Rauner, Office of the Special Assistant to the Secretary for Regional Economic Coordination

FROM: Dr. Paul W. Kolp, Centaur Management Consultants

SUBJECT: Review of Upper Great Lakes Regional Commission Economic Plan, March, 1976.

INTRODUCTION

This paper provides a critical review, as requested, of the study "Planning and Progress in the Upper Great Lakes Region" performed by the Upper Great Lakes Regional Commission and dated March, 1976. The study's subtitle is "Regional Economic Development Plan of the Upper Great Lakes Regional Commission."

The purposes of the study, as presented in the study Foreword, are accepted as the basis for this review:

- That the document meets a legislative requirement, and comprises "a plan for the next three years. It is also an extension of the Regional Development Plan and Five-Year Program published by the Upper Great Lakes Regional Commission in December, 1970."

- "This report reviews the progress of the last five years and updates and extends the Commission's developmental plan in terms of both priorities and objectives."

In reviewing this document several guides were used in assessing the quality of the study. These guides were in the form of questions:

- Has a satisfactory analytical framework been established for assessing or devising the primary elements of a regional economic plan, namely:

  - The problems and potentials of the Region,

  - Alternative approaches to resolving problems,

and taking advantage of potentials,

- Region goals and objectives,
- An implementation strategy, and a related program.

- Are the analytical procedures comprehensive, valid and reliable?
- Are the data and data sources valid and reliable?
- Does the plan attempt to answer the major questions posed by the Department of Commerce in their stipulated guidelines for reviewing all Title V Regional Commission plans?[1]

In simpler terms, the plan should "hang together." The plan should tell a believable, consistent story concerning the existing and expected conditions in the Region, the desirable and undesirable aspects of these conditions (i.e., what needs changing), and how to accomplish specific changes and improvements that may be sought. Each of these steps or parts of the analysis should be interdependent, each building upon the other in a logical sequence resulting in a reasonable approach for resolving regional issues. The final critical question is whether or not the analyses are sufficiently sound to attract resource commitments from the Congress, from Federal agencies, or from other public and private sources.

STUDY APPROACH

The intent of the general approach or framework for designing the Commission's Economic Development Plan for the period 1976 through 1978 is sensible:

- To review Region trends and conditions since completion of the Commission's initial economic plan in 1970.
- To revise the economic goals and strategy based on a review of trends and conditions.
- To evaluate impacts of the Commission's program to date. This is especially relevant since the Commission has been operational for about 8 years.
- From these results, to prepare a revised program and specific recommendations for economic improvements in

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1 These guidelines appear in Code of Federal Regulations, Title 13, Part 530 "Review of Commission Plans," Federal Register, August, 1975.

the Region.

If performed properly, such an approach would be satisfactory for preparing a three-year economic plan for the Region. However, the following review of each of these sections indicates major problems and discrepancies in the presentation.

## REGIONAL TRENDS 1970-1974

This section of the document presents data on recent changes in population, income and employment. It is a very short chapter, but several comments are in order:

1. The chapter is distinguished largely by its omissions. The presentation provides almost no information on changes and trends in the economic structure of the Region during this four-year period. No facts are furnished on how jobs and income by industrial sector have been changing over time and how this compares with national trends. Lacking are answers to such questions as: What are the industrial advantages and disadvantages of the Region and how have these been reinforced or abrogated in recent years? What are the apparent economic driving forces in the Region which have generated recent increases in employment, and how can these be used to the Region's advantage? In addition, nothing is presented on levels of and recent changes in migration, environmental quality (especially air and water pollution), natural resource utilization (fragments of data exist in Chapter III), capital investment and public expenditures, and other factors needed to assess changing regional conditions. Also, who are the people in the Region with the greatest economic problems, why is this so, and what can be done?

2. It is uncertain when the data in this chapter were compiled, but more recent data have been available for some time. For example, 1974 county population data were available by mid-1975. However, the document only provides population data through 1973. The Bureau of Economic Analysis will have county personal income, per capita income, earnings and earnings by industrial sector for 1974 completed by about May, 1976, and county data for 1973 were available about one year ago. However, the Commission's plan only shows per capita income through 1972. Also, monthly county employment, labor force, and unemployment (numbers and rate) data are generally posted within a couple of months of their occurrence by State employment security offices. Some of these employment indicators are shown only through 1973 and others through 1974. Also, because of the different time spans, it is very difficult to make comparisons, and draw valid conclusions on the relationships between recent changes in population, income and employment.

3. Without further explanation in the document, a number of problems could exist with the employment data. It is indicated (pp. 22-23) that U.S. Census data were used as the basis for estimating employment in 1970, and that percentage changes in county employment data (from State employment security offices) between 1970 and 1974 were applied to the 1970 Census estimates to reflect relative and absolute changes in employment between 1970 and 1974. First, Census provides an estimate of employment for only a brief period in one year (while farmers are counted as employed, other seasonality problems exist when taking data in April), and it is employment by place of residence. The "labor force" definition of employment (i.e., total number of workers) applies to Census data. Workers may hold multiple jobs which would go unreported. On the other hand, employment security offices report employment by place of work, and therefore the "work force" definition (i.e., all jobs are counted) applies to this data. Second, employment security offices frequently have no data or very poor estimates of "uncovered" employment. These include jobs in agriculture, railroad transportation, government and of individual proprietors. Consequently, a number of potential errors exist within each one of these data bases. By taking percentage changes in State employment security data some of these problems may be partly, mostly or wholly overcome. It is unknown. However, it is necessary to have employment data by both place of residence and by place of work. One is used to determine the number of jobs needed by residents and the other is used to estimate the number of jobs that need to be supplied by the economy. These are not necessarily equivalent if substantial commuting occurs across the Region's boundaries or dual jobs are held by residents. With cities such as Minneapolis and St. Paul, Grand Rapids, Bay City and Saginaw just outside the boundaries of the Region, this may represent a problem in the analysis. At minimum, an attempt should have been made to also standardize Census employment data with State employment security data (in addition to the reverse which was done in the plan) in order to assess 1) the number of jobs being provided by the regional economy, and 2) any discrepancies between the two forms of employment data. The actual jobs that need to be provided by the economy should be determined from "place of work" data available from State employment security offices and other sources. Without this assessment there is an uncertainty as to the actual "job gap" which must be filled by the economy.[1]

4. As implicitly indicated in this section, the unemployment rate and labor force statistics can be deceiving. There may be a higher unemployment rate in one area of the nation compared to another, but the one with the higher unemployment rate may be better off from an employment standpoint because there are proportionately more workers (in relation to the population) in that area. On the other hand, an area with

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[1] This is not meant to exclude a possible strategy of providing employment opportunities outside of the Region in nearby urban areas.

a low unemployment rate may for lack of job opportunities simply have many persons no longer seeking work (and therefore not counted in the labor force or among the unemployed), representing a potentially large hidden labor reservoir. The way around this dilemma is to use an employment participation ratio; that is, the number of persons actually employed divided by the total population (or better, divided by the working age population, or say those age 20 through 64). This provides a much better basis for making inter- and intra-regional comparisons of unemployment problems than those used in the study. In this context, it is uncertain whether or not the Region's employment to population base improved between 1970 and 1974. The numbers of people, persons in the labor force, workers and unemployed all increased in recent years, but no definitive conclusions can be reached on the relative gains or losses that resulted from this growth. The following table for example, furnishes regional data taken from this document:

| | Percentage Change 1970-1973 |
|---|---|
| Number of Persons | + 6.2 |
| Number in Labor Force | + 9 |
| Number of Employed | + 7 |
| Number of Unemployed | +36 |

This would suggest that for this single period (1970-1973) employment rose slightly faster than population, and that some gains are being made in the employment participation ratio. On the other hand, the proportion of unemployment rose sharply (the regional rate rose from 6.3 percent in 1970 to 7.9 percent in 1973), indicating that the Commission's goal of a 4 percent unemployment rate was even further from fulfillment in 1973 than in 1970, despite substantial increases in numbers of employed persons.

PLANNING STRATEGY AND GOALS

This chapter of the document, like the last, is very short in length. It is heavy on dogma, along with a rehash of the earlier plan, and light on facts. It concludes that the basic goals and strategy of the Commission (devised in 1970 for the period 1970-1980) should remain intact for the period 1976-1978. This conclusion may not be defensible. The data would, in fact, appear to be contradictory. At minimum, on the basis of the evidence furnished, the conclusion cannot be supported. The following indicates the areas of concern:

1. Without an understanding of the driving forces in the regional economy and their relationship to exogenous and endogenous factors, the projected employment growth of 5.5 percent between 1974 and 1980 is in large measure a guess. From only the available employment rate of change data shown (p.42) in the study (i.e., for the periods 1950-1960, 1960-1970, and 1970-1974) it might be concluded that the 1974-1980 employment growth would be about 15 percent (similar to the 1970-1974 growth rate) or higher (based on the continuous progression of increases for the periods shown). However, even if the 5.5 percent employment growth rate becomes a reality, this would mean that the original (i.e., in the 1970 plan) 1980 Commission goal of increasing employment by 100,000 above the expected level (to a total of 1,444,000) would be achieved. Assuming the 5.5 percent growth rate, total employment in the Region would be 1,158,000 in 1980, or about 14,000 more than the original goal. This may still be short of an "ideal" goal, but greatly weakens any argument requesting the need for more resources.

2. Unmentioned is the fact that even though employment levels increased in recent years, the so-called "job gap" problem appears to be worse. In 1970, the Commission set for itself the goal of a 4 percent unemployment rate in the Region. The Region's unemployment rates as presented in the plan were 6.3 percent in 1970, 7.9 percent in 1973, and and 9.4 percent in April of 1974 (p. 25); a progression of worsening unemployment rates. Also, most importantly, a continual relative and absolute increase in the "job gap" (i.e., the difference between a 4 percent unemployment rate and the actual rate) apparently has occurred since 1970. If this trend continues through 1980, the "job gap" problem would become even worse. The Commission's level of employment (i.e., number of jobs) goal may have been met, but the unemployment rate may be unacceptable. This underscores both the difficulties of 1) increasing employment without inducing migration, and 2) dealing with an unemployment level or rate concept (i.e., which disguises manpower utilization and resources of an area). The latter can be resolved best by using an employment participation ratio concept as discussed earlier. Again, the only apparent conclusion to be drawn from the plan is that even if employment levels were increased to achieve any of the recommended goals, it is uncertain if the desired economic improvements would result. Also, there is the issue of consistency with national economic forces and goals and with inter-regional economic activities. For example, even if agreement could be reached on the meaning of a 4 percent unemployment goal, is such a goal reasonable in an area like the Upper Great Lakes when such a feat is unlikely within other major geographical areas (even more prosperous localities) of the nation, or for the nation as a whole by 1980?

3. No mention is made in this study of potential alternative goals. Employment is considered to be the dominant issue or problem. On the other hand, the growth in employment levels in recent years appear to have improved substantially. Nevertheless, per capita income remains (i.e., no relative change between the years shown--1969 through 1972) at 75 percent of the national average (p.18). Only one of the 119 counties in the Region had a per capita income in 1972 equal to or above the national average; whereas, 45 percent of the counties had per capita incomes less than 70 percent of the national average. Why, therefore, is no consideration given to an income or per capita income goal for the Region's inhabitants? The employment goal is assumed to be sufficient to also resolve income problems (pp. 32-33). It is difficult to determine from the data presented whether or not relative employment improvements occurred in the Region (though the plan insists that there have been improvements), or if there is an employment participation problem. However, it is immediately apparent that in recent years no improvements in per capita income occurred in the Region relative to the U.S., and that per capita incomes remain very low. This would suggest the design of a per capita income goal and a strategy to upgrade existing jobs, to attract higher paying jobs where possible, and to take advantage of existing employment trends and to provide a regional program whereby the unemployed, underemployed and low paid workers of the Region can potentially take advantage of these opportunities.

4. While the words "Planning Strategy" appear in the title of the chapter, the only "strategy" described is the "basic strategy" of the Commission's earlier 1970 report.

<u>IMPACT OF PROGRAM TO DATE: AN INITIAL EVALUATION</u>

This chapter is by far the longest, accounting for more than one-half of the pages in the four chapters of the report. A program evaluation, if performed correctly, is a potentially powerful planning tool for guiding the Commission's program. For the following reasons, though, the chapter contributes little, if anything, to the plan.

1. It is totally misleading to declare that this section represents the results of a program evaluation. For the most part, it merely describes where program monies were spent and how programs and projects were selected for funding. These descriptions, if included at all, should be placed in an appendix. At best this section represents a poor attempt at justifying program expenditures and the Commission's existence. A Commission program evaluation activity requires careful design of an analytical framework (i.e., a research approach, including design of impact criteria or performance measures, measurement techniques, data collection procedures and research instruments), and the use of control groups or controlling

procedures which can allow for assessment of the marginal impacts attributable to Commission activities. None of these conditions or requirements have been met.

2. Hard data on the impacts of activities funded by the Commission are provided for only five projects--all industrial parks. Even this limited analysis reflects many of the problems discussed in the foregoing comment. The analysis is not presented within the context of an overall evaluation framework. But most damaging is an apparent unconcern for whether or not the stated impacts (or a portion of these impacts) would have occurred without Commission funding. No controlling procedures are discussed for assessing whether or not the firms and associated employment now located in these parks would have been in-place elsewhere in the Region even if the parks had not been built (assuming they would not have been built without Commission monies). The question remains, were the industrial parks responsible for employment growth or the attraction of these jobs from outside the Region, or did the parks merely concentrate some or all of these jobs or firms at a central location, many (perhaps all) of which would have been located elsewhere in the Region anyway. The test to apply is what would have happened with and without the Commission program. The results represent the marginal impacts attributable to the program.

3. The remaining portion of this chapter presents fragments of data and some facts on minerals, energy, environment, particular projects funded, and so on. These are pieces of information unrelated to each other and not linked together to provide an understanding of the Region's economic structure or of the impact of the Commission's program. Also, it is claimed that the Commission's dollars have "occasioned", "provoked", "triggered", "leveraged", "spurred" (etc.) large amounts of other investment monies. Probably almost every other contributing agency can make a similar claim. The Commission's dollars are worth no more or less than the dollars of other agencies. Benefits are proportional to cost contributions.

## REGIONAL DEVELOPMENT ALTERNATIVES AND RECOMMENDATIONS

This chapter accepts the "basic program thrusts" (without a discussion of alternatives) of the 1970 plan, and recommends more of the same. This acceptance, it is indicated, is based on an updated review of the economic status of the Region (Chapter 1) and an evaluation of the program (Chapter 3). These findings, as indicated above, would not support such ready acceptance of the "thrusts". Also:

1. No clear analyses or justifications are presented for the cost estimates of the "start-up grant program"($50 million), the total program (of $99 million, excluding "start-up grants"), or for the funding of

separate program elements (industrial development, tourism, etc.). Nor do any of these expenditure recommendations appear to be based on local program assessments or project feasibility studies (i.e., economic and technical evaluations).

2. No implementation plans (e.g., a plan for developing specific projects in specific locations, with an indication of particular funding sources and agencies and with a delineation of development responsibilities by agency) are presented for carrying through the proposed program effort. After this many years of experience it should be relatively easy for the Commission to prepare such a plan.

3. The only significant departure from earlier recommendations is the suggested addition of another layer of local government (pp. 186-192). This is recommended on the basis of presumed successes with such an organization in Appalachia. This recommendation may be reasonable. However, it deserves a thorough evaluation before being accepted, including assessments of both the Appalachia experience and the applicability of such an organization to the Upper Great Lakes.

## CONCLUSION

On the basis of this review, it appears that a number of faults exist in the plan. It is not a convincing document, one that is likely to rally the energies and resources of the public and private community-at-large. The data, data sources, analyses and general findings appear to raise more questions than they answer. The plan does not "hang together" and relate a believable, consistent story of what needs to be accomplished in the Region or of how to achieve specific needed improvements. Also, it does not seem to represent the thoughts, aspirations or concerns of a broad cross section of the Region's inhabitants. The plan does not appear to result from a planning process that involved a substantial number of the Region's citizens.

In general, a minimal planning effort appears to have been put forward by the Commission. The Commission prepared the very first regional economic plan among the Title V Commissions. It still stands as one of the better planning efforts. While major planning activities have been undertaken by each of the Title V Regional Commissions, incentives or rewards for thorough, well conceived plans in the form of significant program resource allocations have never been provided. The program manages from year-to-year with very limited funds. Partly due to limited resources, no real effort has ever been made to achieve plan implementation. Planning, like most things, requires incentives for performance. While substantial improvements could be made to the document under review, there may not be sufficient incentives. This is especially true

since this particular Commission prepared an earlier plan and no changes have occurred to date in the Commission's boundaries. A more fundamental question is posed to the program as a whole: What do all of the Title V Regions' planning and other activities add up to on a national scale? What are the similarities and differences among the Regions? What are the likely national and regional impacts if the various regional plans were implemented? What, in fact, are the detailed specific impacts to date?

The Regional Commission program is now nearly nationwide. It cannot long remain unnoticed. Its actual, expected and intended impacts need to be evaluated. The need for quality planning must be appreciated and reinforced with satisfactory rewards so that the planning process and the content of plans achieve a high standard. The intent and expectation is that these plans provide a reasonable and effective basis for allocating scarce regional and national resources.

TECHNICAL REVIEW

REGIONAL ECONOMIC DEVELOPMENT PLAN

OF THE

UPPER GREAT LAKES REGIONAL COMMISSION

June 7, 1976

Prepared by:

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I

The Regional Economic Development Plan of the Upper Great Lakes Regional Commission was prepared in compliance with the requirement of Public Law 94-188 that each regional commission submit a Regional Economic Development Plan to the committees on public works of the Senate and the House of Representatives within 120 days after enactment. The first Regional Development Plan and Five-Year Program was published by the Commission in December 1970. The new Plan reviews progress of the past five years and up-dates development strategy and priorities. It also presents a three-year program.

The Plan is divided into four chapters, the first of which reviews regional economic trends since 1970. A second chapter discusses planning strategy and goals, and a third is an initial evaluation of the impact of the program to date. The final chapter discusses regional development alternatives and contains recommendations for the three-year program.

## Regional Economic Trends

The plan contains an excellent summary of recent economic trends in the Region. These parallel nationwide trends in rural areas, with population and employment increasing since 1970 at a rate faster than that for the Nation as a whole.

Of particular interest is the fact that the tide of out-migration has turned. Only 13 counties had a net out-migration in the 1970-1973 period, as contrasted with 71 counties having net out-migration from 1960 to 1970. However, the Region continues to suffer from high unemployment rates. Although the growth in employment more than kept pace with the increase in population in the Region, employment was not able to cope with a nine percent increase in the labor force. As a result, the number of unemployed increased by 36 percent. The Plan attributes this phenomenon to the fact that the increasing availability of jobs in the Region encouraged the so-called "hidden unemployed", who had previously shunned the labor market because of its discouraging prospects, to enter the labor force.

## Planning Strategy and Goals

The basic strategy behind the 1970 program was to use public investment "buttressed by incentives to expansion of private enterprise" as a primary tool for stimulating basic "first growth" which would, in time, multiply and expand on its own momentum.

The original goal was to provide 100,000 jobs out of the estimated 165,000 which would be needed to close the gap between what the Region would have by way of actual employment in 1980 if no programs were

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implemented and what the Region would need to achieve a four per cent rate of unemployment and no net out-migration by 1980. It was estimated that $382,000,000 in Federal contributions would be needed over a five-year period to achieve this goal. Actually, the Commission received only about $42,000,000.

The Commission reports that by 1974, the Region had increased its employment by some 53,000, thus bringing it more than half way toward its goal of 100,000 jobs. The Commission properly avoids the temptation to take credit for improvement in the Region's economy, since other, more powerful, forces were operating.

The Commission does not believe that the 1970-1974 growth rate can be maintained. Accordingly, it projects a growth rate from 1974 to 1980 at the same pace as 1954-1974, and concludes that the job gap remains at 51,400. The Commission raises the question of whether it needs to deal with the new phenomenon of net in-migration to the Region in estimating the job gap, and concludes that since the present situation is fluid, it would be better to stick with the existing employment goal until there is an opportunity to understand how the long term trend is developing.

The Commission does not deal with new entrants into the labor force from the existing population, and the effect such new entrants would have on the job gap. These new entrants are referred to earlier in the Plan as the "hidden unemployed", who are brought into the labor market by the existence of jobs. But if the Commission is seeking to achieve a four percent unemployment rate, it will need to produce a sufficient number of additional jobs to take care of the new entrants into the labor force, as well as of the in-migrants.

The Plan does not present data on labor force participation, and thus it is difficult to know whether it is appropriate for the Region to expect labor force participation to continue to grow. The Plan could be improved by this type of analysis.

While the Commission's new goal is to create an additional 51,400 jobs in the Region over and above those which would be created by 1980 as a result of the 1954-1974 historical trend, it is probable that progress toward this goal will result in more in-migration and more labor force participation. Thus the Commission may achieve its goal and still be faced with a serious unemployment situation.

The Plan does not deal with the fact that it claims achievement of more than half the jobs called for in its original goal while spending only 11 percent of the funds requested. If these facts are correct, the Commission either over-estimated its need for funds originally, or is presently over-estimating its progress toward its goal. It would be helpful if the Plan clarified this apparent contradiction.

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Evaluation

The Plan contains a detailed description of the Commission's program under the heading, "Impact of the Program to Date: An Initial Evaluation." This chapter describes the project selection process, describes the type of investments made, shows geographical distribution of projects and analyzes distribution of projects on their relationship to urban areas and on a per capita basis. The Plan also provides initial findings of a detailed economic impact evaluation of past projects being conducted in conjunction with the University of Wisconsin.

While the evaluation chapter provides a highly favorable review of the Commission's program, it would have more credibility if it were rewritten in a more objective tone. It presents only successes, and these are presented in somewhat extravagant terms. Moreover, the chapter appears to be too long. It is over 101 pages, more than twice as long as any other chapter. While an evaluation of past performance is essential to planning, overblown evaluation can sometimes be self-defeating.

This chapter could also be improved if it were to separate those program reports which deal with projects and what has been accomplished from those which merely review a particular sector of the economy. The sections on mineral industry and energy contain good analyses of regional problems and programs in these two fields, but they seem out of place in a chapter dealing with the impact of the Commission's program to date. Perhaps these could be included in a separate chapter dealing with emerging problems which need to be addressed in the new plan.

Development Alternatives and Recommendations

The final chapter in the Plan provides the Commission's program. The program is in many respects similar to that presented in the 1970 document. Industrial development is to be stimulated through provision of infrastructure and services to encourage private investment. The Commission discusses a number of alternative financial incentives to encourage private investment even further, but since it does not have the authority to provide such incentives, and it is not likely that such authority will be given to it, the discussion is largely academic. New programs are mentioned for energy, rail transportation and support for multi-county sub-State development districts.

The programs are grouped in different categories in 1976. Table 1 below, shows the arrangement and funding of programs under the original five-year program. Table 2 shows the arrangement and funding for the new program.

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Table 1

Program Categories and Funding
Initial Five Year Program

| Program Category | Total Recommended Funding |
|---|---|
| Business and Industry Development | |
| Industrial Development Fund | $29,164,000 |
| Resource Industry Development | |
| Forest Improvement and Timber Utilization | 2,565,200 |
| Minerals, Fuel & Energy | 2,800,000 |
| Agricultural Development | 3,600,000 |
| Transportation | |
| Highway Backbone System | 231,000,000 |
| Airports | 26,093,730 |
| Great Lakes | 1,500,000 |
| Manpower and Education | 44,830,000 |
| Lake and Scenic Resource Development | |
| Scenic Access & Development | 11,700,000 |
| Restoration & Protection of Fisheries, Lakes and Lakeshores | |
| Great Lakes Fisheries | 12,046,600 |
| Lakes & Lakeshores Renewal | 3,750,000 |
| Small Craft Harbors | 4,750,000 |
| Improvement of Tourist Services | 8,200,000 |
| Total | $381,999,530 |

Table 2

Program Categories and Funding
Proposed Program

| Program Category | Total Recommended Funding |
|---|---|
| Industrial Development Fund | $21,000,000 |
| Energy and Transportation Fund | 30,000,000 |
| Energy resources | |
| Railroad development | |
| Air service | |
| Great Lakes water transportation | |
| Human Resource Development Fund | 15,000,000 |
| Vocational-technical education | |
| Manpower training | |
| Tourism Development Fund | 21,000,000 |
| Natural Resources Development Fund | 9,000,000 |
| Fisheries | |
| Lakes and lakeshores | |
| Minerals | |
| Agriculture | |
| Forestry | |
| Special environmental measures | |
| Government Services and Planning Fund | 3,000,000 |
| Aid to development districts | |
| State planning | |
| Total | $99,000,000 |

Since the Commission's new goal is to create some 51,400 additional jobs by 1980, the estimate of $99,000,000 comes to about $1926 per job. The Plan provides no indication of the basis on which the $99,000,000 was estimated, nor is there any discussion of whether the $1926 figure per job was used or is appropriate. No justification is presented for the varying amounts in each category.

One of the confusing aspects in the presentation of this Plan is the use of the term, "recommendations", and the use of phrases such as "it is recommended that." If this document is truly the plan of the Commission, then it should contain proposals and plans. If the Commission is, in fact, making recommendations, it is not clear to whom the recommendations are being made.

In fact, it is not clear that this is a planning document at all. In many instances, it reads more as if it has been prepared as a budget justification or a presentation to Congress on behalf of legislation. Perhaps it would help if the Plan itself contained a clear statement of its purpose.

-II-

From the standpoint of the requirements contained in the Code of Federal Regulations, Title 13, Business and Credit Assistance, Chapter V, Regional Action Planning Commissions, sub-part 530.2, the Commission's Plan appears to qualify for approval by the Secretary.

a. Review of Prior Studies. The Plan contains an adequate review of the previous program plan, and it contains descriptions of other planning studies throughout the narrative. Thus, it meets the requirement that it include a review of prior studies concerning the region's economy.

b. Framework for Analysis. The plan does discuss additional research needed to conduct effective development. Although the Plan probably can be said to meet the requirements of this portion of the sub-part by providing a minimum framework for analysis, it could be considerably improved by providing additional data.

It would be useful, for example, to know how much of the region's product comes from each of the major economic sectors, so that some appreciation of the importance of various program elements can be gained. It is granted that it is quite difficult to get adequate data on this subject, particularly when we are dealing with sub-State units, but certainly some gross estimates can be made. For example, the Plan calls for $21,000,000 for industrial development and $21,000,000 for tourism development, but there is no framework for understanding the equal weight given to development in these two sectors.

Moreover, in view of the importance of migration and labor force participation to the Commission's goals, it would certainly seem appropriate to provide data on these subjects as a part of the framework for analysis.

c. Review of the Regional Economy. From the standpoint of narrative, the Plan's review of the regional economy is one of its strongest points. One gets the impression that the Commission and its staff thoroughly understand the Region's economy. However, the Plan is weak in the presentation of data to support its narrative explanations. For example, the Plan does not contain projections of population, labor force and employment by key industrial sectors and an inventory of natural resources, as required by sub-part 530.2 (c). While a good deal of this data is difficult to secure, particularly because there are problems of disclosure connected with employment data for small counties, it should be

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possible to present at least some of the data required by the regulation.

d. Review of Conditions Inhibiting Growth. The Plan is very effective in identifying the conditions inhibiting growth in the Region.

e. Review of Major Plans and Pending Decisions. The Plan adequately meets this requirement.

f. Establishment of Regional Goals. The Plan meets the requirement, because it does have an explicit regional goal. However, as explained above, the goal statement is not sufficiently supported by consideration of problems of in-migration and increased participation in the labor force.

g. Determination of a Development Strategy. While the Plan meets the requirements of the regulations by setting forth a development strategy, it is believed that this strategy could be strengthened considerably by re-thinking. Some suggestions to this effect are contained below.

While the strategy identifies kinds of investments most critical for achieving a higher rate of growth and their preferred location, it does this indirectly by describing its project selection process. This process gives higher weights to those types of projects deemed to have a more stimulative effect on regional development. Additional weights are assigned to projects which will be situated in the most appropriate locations. It might be well to present these implicit priorities more explicitly in the strategy section.

The weakest parts of the strategy section are those dealing with the recommendations for direct financial incentives and with the funding strategy. These deficiencies are discussed below.

h. Review of Existing Program Adequacy. The Plan does contain descriptions of existing Federal, State and local programs and identifies major gaps and supplements to carry out the Commission's development strategy. As pointed out below, it would be more diplomatic if the document contained greater recognition of the contributions of some of these other programs.

i. Criteria for Project Identification. The Plan does contain an excellent project selection system, although exception is taken to the undue weight given to the so-called "leverage factor." This is also discussed below.

j. Consideration of Other Planning in the Region. It is clear that the Plan has given due consideration to the planning of other Federal, State, local and sub-State planning agencies.

-III-

A number of suggestions for improving the Plan have been noted. These include the following:

1. That additional data on migration and labor force participation be provided, and that this data be taken into account in setting the job gap goal.

2. A reorganization of Chapter III to place those discussions dealing with new program areas or problems under a separate heading or in a new chapter.

3. A re-writing of Chapter III to condense it, and to provide a more objective tone. The draft should try to avoid such sweeping statements as: "The Commission can claim a major role in bringing the jet age to the 119 counties within the Region." The Commission might improve its relationships with those agencies which must provide the bulk of the funds for regional development if, in the process of claiming credit for many things that have happened, it recognized the contributions of other programs administered by such agencies as the Federal Aviation Administration, the Office of Education, the Economic Development Administration, the Farmers Home Administration, and the like. While it may be true that Commission grants "actuated" or "triggered" or "leveraged" the funds made available through the programs administered by these agencies, it was necessary in most instances to have the basic grants to begin with.

4. A clarification of the purpose of the Plan, and if recommendations are being made, it should be clear to whom they are being addressed.

5. A rethinking of the strategy. The major problem apparent in the strategy discussion is the emphasis placed upon strategic programs for which there is no authority for anyone to carry out. Special tax and financing incentives to induce the location of business enterprises in lagging regions may make a great deal of theoretical sense, but the United States Congress has made no effort toward providing such incentives at this time. Moreover, at the rate at which new Title V regions are being added and existing regions expanded, such an incentive would provide little advantage to any region. It just doesn't make sense to develop a strategy which is bound to fail because it can't be carried out. The same is true for the Commission's business loan strategy. It is quite unlikely that such authority will be given to regional commissions, and if so, it would never be granted in time to affect the three-year program included in the Plan.

At best, the Commission's strategy might be phrased so that the Commission would propose to work for or advocate either demonstration

programs or nationwide authority for regional commissions to make business loans and provide tax and/or financial incentives to private enterprises. Such advocacy might be part of a long-range program for regional development, but it could not possibly help in reaching the 1980 goal.

6. Elimination of separate "funds." The creation of an industrial development fund or a natural resources development fund is administratively unwise. While it is quite proper to establish the amounts expected to be allocated to the various program categories, it would unnecessarily tie the Commission's hands to have these amounts locked up in program funds and unable to be used for emerging needs in various categories when existing funds are depleted.

7. Analysis of how funding amounts were determined. The strategy would gain considerably in authority if it were possible for the Commission to explain how it arrived at the various amounts suggested. It is recognized that this is a difficult task, and it is probably impossible to do it precisely. But certainly there must be some explanation for some of the amounts. The total of $30,000,000 for three years in the Energy and Transportation category might be accounted for by explaining that Congress limited each Commission to no more than $5,000,000 annually for energy demonstration programs and $5,000,000 annually for transportation demonstration programs, but such an accounting would be weak.

Moreover, there is no explanation of why one category appears more important than another, or gets more funds. Table 3 is an attempt to analyze the various amounts allocated to Commission programs in the 1970 program, actually spent in the 1968-1974 period, and proposed for the 1976 Plan. These are also compared with the relative weight given to each type of project in the supplemental grant scoring system.

While strict comparisons are impossible, due to the differences in reporting categories and purposes, it would appear that the Commission has been reasonably consistent in the industrial development, transportation and human resources categories, but not in the others. It would help the Plan to be more explicit about changes in strategy which are implicit in the way these percentages have changed. For example, the energy crisis clearly calls for increased expenditures in this category, and that change in strategy is reflected in the increased percentage of funds allocated to the Energy and Transportation category. But it is not clear why there is a reduction in the percentage of funds allocated to Human Resources, unless the reason is that the bulk of heavy capital expenditures for vocational-technical education facilities have already been made. On the other hand, the Commission may want to increase this allocation in view of the new authority for health and nutrition programs.

It is not at all clear why expenditures have jumped to such a

Table 3

Percentage Comparisons of Region's 1970 Program, Actual 1968-74 Expenditures, Proposed 1976 Plan, and Grant Scoring System

| | 1970 Program (1) | 1968-1974 Expenditures (2) | 1976 Plan | Scoring System |
|---|---|---|---|---|
| Industrial Development | 19.3 | 29.7 | 21.2 | 25.0 |
| Energy and Transportation | 18.3 (3) | 13.3 (3) | 30.3 | 22.5 (3) |
| Human Resource Development | 29.7 | 22.6 | 15.2 | 20.0 |
| Tourism and Recreation Development | 5.4 | 13.7 | 21.2 | 17.5 |
| Natural Resources Development | 27.2 (4) | 10.0 (5) | 9.1 | (6) |
| Government Services and Planning | (6) | 10.8 (7) | 3.0 | 15.0 (8) |
| | 99.9 (9) | 100.1 (9) | 100.0 | 100.0 |

Notes:

(1) Excludes $231,000,000 for highways since these moneys were never forthcoming, and the amount is so large in comparison with other sums that percentage comparisons would be meaningless.

(2) Includes both supplemental grants and technical assistance.

(3) Includes only transportation.

(4) Includes forestry; minerals, fuel and energy; agriculture; scenic access and development; fisheries, lakes and lakeshore renewal, Great Lakes fisheries; and small craft harbors.

(5) Includes only technical assistance for natural resources and agriculture and forestry categories.

(6) Not included as an identifiable item.

(7) Includes supplemental grants for community facilities and technical assistance for regional economic analysis, government services and State investment planning.

(8) Applies to community facilities only.

(9) Total does not add to 100% due to rounding.

high proportion of the total for tourism and recreation development. The plan would benefit from an explicit statement of the reasons for this apparent shift in strategy. Similarly, natural resources development has been relegated to a lesser proportion of total expenditures, and this shift in strategy is not explained.

The strategy for expenditures on community facilities is not clear. If these facilities are to be included under government services and planning, it seems as if little allowance is being made for them in the 1976 Plan, and there is no explanation for the downgrading. If, however, they are being included in industrial development, this would have the effect of reducing the percentage actually spent in this category from 1968-1974. Such a reduction seems strange in view of the importance placed in the industrial development strategy.

8. Inclusion of health and housing in strategy. It appears strange that neither health nor housing are mentioned in the Plan. These two areas are usually an integral part of any regional plan. In fact, Section 501 of the enabling Act requires the Secretary to consider if "the level of housing, health, and educational facilities is substantially below the national level."

9. Clarification of the item, "Commission funding leverage", which is a part of the supplemental grant scoring model. As explained in the Plan, if a project requires 10 percent or less of Commission funds, it receives a higher score than a project requiring 21-30 percent of Commission funds. This would mean that a Commission contribution of one percent of the total project cost would qualify a project for more points than if it required a Commission contribution of 25 percent. It seems clear that if a project's sponsors have already secured 99 percent of the cost of a project, the additional one percent could be found without the need for Commission funds.

It is recognized that the question of "need" for Commission funds is a difficult one. A number of Federal agencies have wrestled with this problem and have yet to develop a satisfactory model for determining whether or not a local contribution is as big as it should be. Yet if the Commission is to assume that its contribution, however small it may be in relation to the rest of the project, is always essential to the implementation of the project, it may be led into what would be considered an absurd position. A case could readily be made for the opposite, namely that greater priority should be given to projects requiring higher percentages of Commission funds, since such projects could more easily be described as projects for which Commission assistance is absolutely essential. The Plan would be strengthened if this question were dealt with and clarified.

10. A fuller explanation of the process by which the Plan was

prepared. The present document simply includes a paragraph in the foreword stating that its recommendations are the result of "extensive and intensive analysis" by many agencies and persons, but there is no further explanation. We should be told how input into the Plan was provided from the various interested groups and how the final decisions were made.

Harold W. Williams

UNITED STATES DEPARTMENT OF COMMERCE
Bureau of Economic Analysis
Washington, D.C. 20230

May 25, 1976

MEMORANDUM TO: John W. Eden
Acting Executive Secretary of the Federal Advisory Council on Regional Economic Development

FROM: Daniel H. Garnick
Acting Associate Director for Regional Economics

SUBJECT: Review of Regional Development Plan Prepared by the Upper Great Lakes Regional Commission

The Commission has prepared a comprehensive report on the economic situation in the region, the accomplishments of the program to date, the planning strategy and goals, and the regional development alternatives and recommendations.

The recommendations included in Chapter 4 indicate that a number of regionally-specific problems have been addressed, and, consequently, the plan is more closely oriented to the conditions in the Upper Great Lakes Commission area than was the initial 1970 Development Plan. The Commission finds that the development of information, the provision of infrastructure, and the extension of low interest, long-maturing business loans to the better situated urban communities in the region could materially assist in the promotion of enduring economic growth in the region as a whole. Following is a review in accordance with the review standards (Part 530.3) of the Federal Regulations relating to Title V Regional Commissions:

Consistency with National Economic Trends and Interregional Consistency

The report refers to a set of projections prepared by the Institute of Population Studies of the University of Michigan. These projections are characterized as a continuation of past trends to the year 1980, assuming the absence of a program by the Upper Great Lakes Regional Commission. The projection concept is apparently consistent with that used by the Bureau of Economic Analysis; however, the Commission's projections are not included in the report. Inasmuch as the Bureau of Economic Analysis' area economic projections are consistent with both national and regional resource availabilities and trends, they are widely used by many Federal agencies for long-term planning. Had these projections been adopted by, or compared with, the alternative used in the Commission report, they would have provided a more adequate framework for determing national and interregional consistency.

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The trend projections used in the report are compared with an "ideal" projection which assumes no net outmigration from the region. The difference between the two sets of projections constitutes a job gap which the commission would plan to eliminate. The assumption of no net outmigration as a policy for the Commission to accept raises several questions:

(1) Does national policy call for the rate of population growth in each area to be approximately the same, with no net outmigration from an area, or is this implied policy directed to the Upper Great Lakes area only?

(2) Is this policy to be accomplished without consideration of its effect on the national economy?

(3) Has adequate consideration been given to a comparison of the region's resource base with its population?

(4) Is net outmigration needed to balance population and resources--a result which might be justified by national efficiency considerations and which might be inevitable in any event?

Transfers of Employment and National Benefits

The plan calls for two types of action programs. The first is to make basic improvements through public investments in the physical and technological environment of the region in order to attract private investment. Ultimately, this will improve the human and natural resources of the region, and as a result, improve the area's competitive position. To the extent that this action program is successful, it may bring into production otherwise unutilized or underutilized resources and yield net national benefits.

The second type of action program calls for incentives to entrepreneurs to invest in job-generating enterprises, such as manufacturing and tourism. This portion of the plan relies on subsidies and low-interest loans to increase production. Unless such subsidies are accompanied by measures that will permanently lower production costs in the area, their effects will be temporary. Moreover, such subsidies transfer economic activity from one area to another and do not necessarily generate net national benefits.

UNITED STATES DEPARTMENT OF COMMERCE
**Economic Development Administration**
Washington, D.C. 20230

MAY 17 1976

5-19-76

MEMORANDUM TO JOHN W. EDEN
Federal Advisory Council
on Regional Economic Development

SUBJECT: Review comments on the Regional Development Plan prepared by the Upper Great Lakes Regional Commission

Creation of the Title V Regional Commissions was based on the premise that, while there are many federal programs designed to impact upon specific problems at the state and local level, some economically lagging regions exhibit a commonality of problems within their boundaries which could be more efficiently and effectively addressed on a region-wide basis. To this end, the Commissions are legislatively required to:

> "initiate and coordinate the preparation of long-range overall economic development programs for such regions, including the development of a comprehensive long-range economic plan approved by the Secretary (of Commerce)." (Sec. 503(a)(2))

The means by which such plans are to be implemented are not developed in the legislation beyond the provision that federal agencies shall within their funding limitations cooperate with the Commissions in carrying out their responsibilities. However, we would suggest that a primary implementation role implied for the Commissions is to influence and leverage federal program expenditures within the regions in accordance with the cooperatively designed region-wide development strategies. Additionally, the Commissions would serve as the institutional catalyst to inter-state cooperation on issues of multi-state concern.

Reviewing the document from this perspective, we have serious concerns with the role that the Upper Great Lakes Commission has established for itself. Neither the revised plan nor the initial plan would appear to meet the legislative requirements for a comprehensive long-range economic plan. Perhaps more importantly, the revised document not only fails to provide a basis for regional programming by federal agencies, it disregards any role they have had or might have in accomplishing the objectives of the program.



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Further discussion of this issue at this time would go beyond your request for comments on the plan. However, we suggest that an overall evaluation of the role and effectiveness of the Commissions would be a timely undertaking. Our specific comments on the document are as follows:

1. Planning and analysis.

   The document does not reveal that the Commission has undertaken any further planning and analytical activities as a basis for designing a long-range development strategy for the region. Decline in jobs and outmigration were originally cited as the major regional problems. This leads to the identification of the Commission's goal as closing the "job gap." Job creation consequently became the primary program objective. This would be accomplished through improvements to the physical and technological environment and through a proposed but not authorized investment incentive program. The Commission's approach to achieving this program objective appears to be largely opportunistic rather than based on a long-range development strategy. A growth center approach is given emphasis in terms of the project selection criteria in use, however, it is not articulated in such a way as to relate geographically and economically the areas of unemployment to potential growth areas. No evidence is given to indicate that any attempt has been made to prioritize growth in relation to the depressed areas: priorities are assigned to projects through the project selection process, not to areas through strategic analysis and planning.

   Transportation issues are particularly amenable to a regional approach and while the Commission has been active in this area there is little evidence of the type of strategic, multi-modal approach that the Commission, institutionally should be in a position to foster.

   The Commission's bias against planning and analysis is reflected in the failure of this revised document to provide insight into the very interesting and perhaps surprising employment and population growth trends in the region in the last five years. The implications of these trends for the Commission's strategy could be very significant if the causal factors were to be determined.

2. Evaluation.

The emphasis of the Commissions evaluation of its program unfortunately focuses on the job creating impact of individual public works projects rather than on its role as a multi-state planning and development institution. The job creation impact of a public works projects is only significant as a measure of the Commission's effectiveness if it can be demonstrated that: (1) the project is consistent with overall regional development strategies and priorities that would not have been articulated in the absence of the Commission; and, (2) that such a project would not otherwise have been implemented. The document fails to demonstrate either condition. The case is made that project investments, particularly those of an industrial nature, are consistent with a growth center approach. However, this is a result of employing project selection criteria reflecting the conventional wisdom that industrial development projects are more likely to succeed when proximate to urban amenties. The document, in fact, goes so far as to state that a purpose of the project selection system is to <u>exclude location</u> as a factor. As to the leveraging role of the Commission, the document states "Each dollar invested by the Commission has <u>triggered</u> about five dollars from other sources. . . ." and that "its investments have <u>provoked</u> a total investment by all agencies of $101.4 mil." However, no evidence is presented substantiating that: such investments would not have been made without the Commission's provision of supplemental funds or that the Commission actually initiated the investment opportunities. It is significant that the document does not indicate the prime source of funding for Commission supplemented projects other than FEA funding of Regional Airports.

Commission activities more obviously consistent with the legislative mandate have not been subjected to a formal evaluation. While employment generation is of real and immediate concern, the future economic strength of the region will in large part depend on its ability to develop "regional solutions to regional problems." Over time, it might be anticipated that the major benefits accruing to the region from this program will be new initiatives in multi-state cooperation in such areas as manpower development, resource technology, and multi-modal

transportation planning. The Commission's primary mission should be the institutionalization of a framework within which these initiatives can be developed.

3. Proposed programs.

The Commission's goals and programs remain essentially the same for the coming three years. Lacking the underpinnings of a long-term development strategy, the program proposals are too general to be used as a basis for other agency program planning. From EDA's perspective, as probably the prime source of funding for Commission supported public works projects, this is a major failure. It is also of concern to EDA that the Commission has failed to explore the potentials offered by the Section 302(a) planning program initiated last year in each of the Commission states. Another area of concern is the lack of coordination on planning assistance and requirements for districts within the region. With the Commission's proposal to complete district coverage of the region, the need for coordination is paramount.

Joseph G. Hamrick
Deputy Assistant Secretary
for Planning

UNITED STATES DEPARTMENT OF COMMERCE
Office of the Secretary
Washington, D.C. 20230

June 1, 1976

MEMORANDUM FOR John W. Eden
Acting Executive Secretary of the
Federal Advisory Council on
Regional Economic Development

FROM: Robert T. Miki
Director
Office of Regulatory Economics and Policy

SUBJECT: Review of Regional Development Plan Prepared by the Upper Great Lakes Regional Commission

As you requested, I have reviewed the Regional Development Plan prepared by the Upper Great Lakes Regional Commission. I have the following comments.

The plan's objective is stated in terms of the "job gap." The evaluation is in terms of expenditures to be made to close the job gap. The plan does not relate expenditures to outputs and therefore to employment. The plan states that an expenditure of $99 million in Federal funds is required in the three-year extension and reshaping of the Commission's economic development plan. These expenditures, it is said, "will create jobs." Undoubtedly, they will, but the relevant question is: What are the alternatives and what are their relative payoffs? In addition, the following questions which are relevant to decisionmaking appear to have been given scant, if any, attention: Which of the areas--industrial development, transportation/recreation, etc.--requires the greatest attention? To what extent are they related? Will they need to be developed across a broad front? Given the expenditures specified, what are the potential bottlenecks to achievement of the objective? Much of the information contained in the plan is descriptive background and does not shed light on these questions. In short, it is an incomplete document for decisionmaking.

Even in the descriptions, some key factors appear to have been passed over. For example, the plan reports population increases in the 1960s and extending into the 1970s. The labor force increase exceeds job opportunities, as shown by the "hidden unemployment." If income is not growing relatively, why the population increase? What is the age distribution of the "hidden unemployed?"

The plan expresses concern for the environment, but it does not take a hard look at the prospects and problems of balancing increased tourism/recreation and conservation with industrial development. What impacts do government regulations regarding environment and resource conservation/development have? What bottlenecks do they create and what opportunities do they provide for industrial development?

Finally, the discussions suggest thrusts for Commission action which are uneven and appear to be advocative without analysis. For example, "start up grants" are concluded to be better than tax credits. This may be so but one cannot tell from the analysis in the Commission report.

I hope these comments are helpful to you and to the Commission.

# APPENDIX C

## EXECUTIVE ORDER NO. 11386
## DATED DECEMBER 28, 1967
## ESTABLISHING THE FEDERAL ADVISORY COUNCIL
## ON REGIONAL ECONOMIC DEVELOPMENT

# Presidential Documents

## Title 3——THE PRESIDENT

### Executive Order 11386

**PRESCRIBING ARRANGEMENTS FOR COORDINATION OF THE ACTIVITIES OF REGIONAL COMMISSIONS AND ACTIVITIES OF THE FEDERAL GOVERNMENT RELATING TO REGIONAL ECONOMIC DEVELOPMENT, AND ESTABLISHING THE FEDERAL ADVISORY COUNCIL ON REGIONAL ECONOMIC DEVELOPMENT**

WHEREAS the proper discharge of Federal responsibilities under the Appalachian Regional Development Act of 1965 (79 Stat. 5, 40 U.S.C. App.) and the Public Works and Economic Development Act of 1965 (79 Stat. 552, 42 U.S.C. 3121 *et seq.*), as amended by Public Law 90–103, 81 Stat. 257, requires that the participation of the Federal Government in regional development activities be effectively coordinated;

WHEREAS the President is required by the Appalachian Regional Development Act of 1965 to provide effective and continuing liaison between the Federal Government and the Appalachian Regional Commission;

WHEREAS the Secretary of Commerce has responsibility under the Public Works and Economic Development Act of 1965 for Federal economic development activities designed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions of the Nation;

WHEREAS the Secretary of Commerce is directed by the Public Works and Economic Development Act of 1965 to coordinate the Federal Cochairmen appointed to regional commissions established before or after the date of that Act;

WHEREAS the Secretary of Commerce is required by the Public Works and Economic Development Act of 1965 to provide effective and continuing liaison between the Federal Government and each regional commission established under Title V of that Act; and

WHEREAS the Secretary of Commerce has been Chairman of the President's Review Committee for Development Planning in Alaska, established to provide general direction and guidance to the Federal Field Committee for Development Planning in Alaska, established by Executive Order No. 11182, dated October 2, 1964;

NOW, THEREFORE, by virtue of the authority vested in me by the Appalachian Regional Development Act of 1965, the Public Works and Economic Development Act of 1965, and section 301 of Title 3 of the United States Code, and as President of the United States, it is ordered as follows:

SECTION 1. *Functions of the Secretary of Commerce.* The Secretary of Commerce shall——

(a) Provide the effective and continuing liaison required by section 104 of the Appalachian Regional Development Act of 1965 and by section 503(c) of the Public Works and Economic Development Act of 1965 between the Federal Government and each regional commission established under those

Acts, and between the Federal Government and the Federal Field Committee for Development Planning in Alaska (hereinafter referred to as "the Field Committee").

(b) Obtain a coordinated review within the Federal Government of plans and recommendations submitted by the commissions and the Field Committee.

(c) Provide guidance and policy direction to the Federal Cochairmen and the Chairman of the Field Committee with respect to their Federal functions.

(d) Promote the effective coordination of the activities of the Federal Government relating to regional economic development.

(e) In carrying out the functions set forth in section 1 (a), (b), (c), and (d) the Secretary of Commerce shall—

(1) Review the regional economic development plans and programs submitted to him by the Federal Cochairmen, budgetary recommendations, the standards for development underlying those plans, programs and budgetary recommendations, and legislative recommendations; and advise the Federal Cochairmen of the Federal policy with respect to those matters, and where appropriate, submit recommendations to the Director of the Bureau of the Budget.

(2) Review and advise the Chairman of the Field Committee with respect to the tentative plans and recommendations of the Field Committee, and receive and consider the final plans and recommendations of the Field Committee and transmit them to the heads of interested Federal departments and agencies and to the President.

(3) Resolve any questions of policy which may arise between a Federal Cochairman and a Federal department or agency in the implementation of regional development programs.

(4) Appoint a Special Assistant and other staff as required to assist him in carrying out these functions.

SEC. 2. *Establishment of the Council.* (a) There is hereby established the Federal Advisory Council on Regional Economic Development, hereinafter referred to as "the Council."

(b) The Council shall be composed of the following members: The Secretary of Commerce, who shall be the Chairman of the Council (hereinafter referred to as "the Chairman"), the Secretary of Agriculture, the Secretary of the Army, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, the Secretary of the Interior, the Secretary of Labor, the Secretary of Transportation, the Director of the Office of Economic Opportunity, the Administrator of the Small Business Administration, the Federal Cochairman of the Appalachian Regional Commission, such Federal Cochairman as are appointed by the President under authority of Title V of the Public Works and Economic Development Act of 1965, and the Chairman of the Field Committee.

(c) Whenever matters within the purview of the Council may be of interest to heads of Federal departments or agencies not represented on the Council under section 2(b) of this order, the Chairman may consult with the heads of such departments and agencies and may invite them to participate in meetings and deliberations of the Council.

(d) The Council shall meet at the call of the Chairman.

SEC. 3. *Functions of the Council.* The Council shall assist the Secretary of Commerce in carrying out the functions set forth in section 1 of this order, and shall, as requested by the Secretary of Commerce——

(a) Review proposed long-range economic development plans prepared by the regional commissions and the Field Committee.

(b) Recommend desirable development objectives and programs for such regions and Alaska.

(c) Review proposed designations of additional economic development regions under Title V of the Public Works and Economic Development Act of 1965.

(d) Review Federal programs relating to regional economic development, develop basic policies and priorities with respect to such programs, and recommend administrative or legislative action needed to stimulate and further regional economic development.

(e) Review proposed department or agency regional economic development plans.

(f) Recommend surveys and studies needed to assist the Secretary of Commerce and the Council in carrying out their functions.

SEC. 4. *Responsibilities of the Participating Federal Agencies.* (a) Each Federal department and agency the head of which is referred to in section 2(b) of this order shall, as may be necessary, furnish assistance to the Council in accordance with the provisions of section 214 of the Act of May 3, 1945 (59 Stat. 134, 31 U.S.C. 691).

(b) The head of each such Federal department or agency shall designate an Assistant Secretary or equivalent level official who shall have primary and continuing responsibility for the participation and cooperation of that department or agency in regional economic development as required by this order.

(c) The head of each such Federal department or agency shall keep the Secretary of Commerce and the Council informed of all proposed regional economic development plans of his department or agency.

(d) The head of each such Federal department or agency shall, consonant with law and within the limits of available funds, cooperate with the Council and with the Secretary of Commerce in carrying out their functions under this order. Such cooperation shall include, as may be appropriate, (1) furnishing relevant available information, (2) making studies and preparing reports, (3) in connection with the development of programs, priorities, and operations of the department or agency, giving full consideration to any plans and recommendations for the economic development of the various regions, including recommendations made by the Council, and (4) advising on the work of the Council as the Chairman may from time to time request.

SEC. 5. *Responsibilities of the Federal Cochairmen and the Chairman of the Field Committee.* The Federal Cochairmen, and the Chairman of the Field Committee as appropriate, shall—

(a) Maintain continuing liaison with the Secretary of Commerce with respect to the activities of the regional commissions and the Field Committee.

(b) Adhere to general Federal policies affecting regional economic development that are established by the Secretary of Commerce.

(c) Inform the appropriate Federal departments and agencies of programs and projects to be considered by the commissions, and attempt to obtain a consensus within the Federal Government through consultation with appropriate Federal agency representatives before casting a vote on any such matter.

(d) Represent the participating Federal departments and agencies in connection with the activities of the regional commissions.

(e) Submit to the Secretary of Commerce regional economic development plans and programs of the regional commissions, budgetary recommendations, legislative recommendations, and progress reports, as requested by the Secretary of Commerce, on the activities of the regional commissions.

(f) Submit reports required by section 304 of the Appalachian Regional Development Act of 1965 and by section 510 of the Public Works and Economic Development Act of 1965 to the Secretary of Commerce for review prior to transmittal to the President or the Congress.

SEC. 6. *Appalachian Program.* (a) Funds appropriated pursuant to sections 201 and 401 of the Appalachian Regional Development Act of 1965 shall be available to the Federal Cochairman of the Appalachian Regional Commission for the purposes of carrying out that Act.

(b) The Federal Cochairman of the Appalachian Regional Commission is delegated the functions conferred upon the President by sections 214(a), 302(a), and 302(c) of the Appalachian Regional Development Act of 1965, which shall be exercised by him in accordance with the provisions of this order.

SEC. 7. *Construction.* Nothing in this order shall be construed as subjecting any function vested by law in, or assigned pursuant to law to, any Federal department or agency, to the authority of the Council or the Secretary of Commerce, or as abrogating or restricting any such function in any manner.

SEC. 8. *Definition.* Except as the context may otherwise require, any reference herein to any Act, or to any provision of any Act, shall be deemed to be a reference thereto as amended from time to time.

SEC. 9. *Prior Executive Orders.* (a) Executive Order No. 11182, as amended, is hereby further amended as follows:

(1) By changing the heading of the order so as to read as follows: "ESTABLISHING THE FEDERAL FIELD COMMITTEE FOR DEVELOPMENT PLANNING IN ALASKA".

(2) By striking the words "the Housing and Home Finance Administrator" from section 1(b) and by inserting in lieu thereof the words "the Secretary of Housing and Urban Development, the Director of the Office of Economic Opportunity".

(3) By substituting the following for subsection (a) of section 2:

"(a) Subject to the general direction and guidance of the Secretary of Commerce, the Field Committee shall serve as the principal instrumentality for developing coordinated plans for Federal programs which contribute to

economic and resources development in Alaska and for recommending appropriate action by the Federal Government to carry out such plans."

(4) By striking from sections 3(e) and 3(f) the words "Review Committee" and by inserting in lieu thereof the words "Secretary of Commerce."

(5) By revoking Part II. The President's Review Committee for Development Planning in Alaska, established by that Part, shall be deemed to be hereby abolished.

(6) By redesignating Part III and section 31 thereof as Part II and section 21, respectively.

(7) By redesignating Part IV and sections 41, 42, and 43 as Part III and sections 31, 32, and 33, respectively, and by striking from the redesignated section 33 the words "and the Review Committee".

(b) The Federal Development Committee for Appalachia, established by Executive Order No. 11209 of March 25, 1965, is hereby abolished and that order is hereby revoked.

/S/ LYNDON B. JOHNSON

THE WHITE HOUSE,
*December 28, 1967.*

[F.R. Doc. 68-111; Filed, Jan. 2, 1968; 10:37 a.m.]

Title 3 -- The President

# EXECUTIVE ORDER 11608

## Termination of Federal Field Committee for Development Planning in Alaska

By virtue of the authority vested in me as President of the United States, Executive Order No. 11182 of October 2, 1964, as amended, is revoked and the Federal Field Committee for Development Planning in Alaska established thereby is abolished. Executive Order No. 11386 of December 28, 1967, to the extent that it pertains to the Federal Field Committee for Development Planning in Alaska, is revoked. The Secretary of Commerce shall make such arrangements as may be necessary relating to the termination of the Committee.

THE WHITE HOUSE,
July 19, 1971 s/ Richard Nixon

[FR Doc. 71-10414 Filed 7-19-71;4:20 pm]

# APPENDIX D

## OUTLINE OF PLAN REVIEW PROCESS

# OUTLINE OF REGIONAL PLAN REVIEW PROCESS

A. *Introduction*

The review process described in this statement reflects experience to date in conducting the Federal review of regional plans. The procedure is based on several premises:

1. The individual Regional Commission plan has been developed by the Federal Cochairman and the Commission staff in close consultation with member agencies of the Regional Advisory Council.

2. Before the plan is referred to the Department of Commerce, Federal Agencies at the regional level have made a review and provided inputs.

3. The review provided for herein is at the Federal headquarters level and the Federal Cochairman will involve his Commission, as required by Commission policy and practice, in responding to recommendations and suggestions from the agencies and guidance from the Secretary of Commerce.

B. *Purposes*

The principal purposes to be achieved in the review process are:

1. To provide the Secretary and Federal Cochairman with appraisals by expert sources on problems and solutions in the regional plan;

2. To inform the review elements (agencies of the Department of Commerce and other concerned departments and agencies of the Executive Branch) of regional problems and proposed solutions by the Commission;

3. To permit review elements to identify areas of cooperation with the Regional Commission; and

4. To provide the Secretary and the Federal Cochairman a basis for formulating budget requests.

C. *Review Elements*

The review elements are:

1. The Secretary of Commerce;

2. The Assistant Secretary for Economic Development;

3. The Special Assistant to the Secretary of Commerce for Regional Economic Coordination (SAREC);

4. Member agencies of the Federal Advisory Council on Regional Economic Development (FACRED); and

5. Department of Commerce (DOC) Intradepartmental Committee.

D. *Review Schedule* (Steps)

1. Draft plan submitted by Federal Cochairman to SAREC. SAREC performs review and provides comments to the Federal Cochairman within 15 days.

2. SAREC transmits draft plan to Secretary for preliminary information purposes.

3. Draft plan distributed by SAREC or by the Federal Cochairman to the Assistant Secretary for Economic Development, the DOC Intradepartmental Committee, and member agencies of FACRED suggesting a 60-day deadline for comment.

4. Federal Cochairman submits to SAREC a report on his disposition of review element comments. SAREC prepares recommendations to the Secretary on the plan and review element comments within 15 days of receipt of Federal Cochairman's report.

5. Secretary of Commerce supplies guidance to the Federal Cochairman.

6. The Regional Commission takes action on the plan and the Federal Cochairman resubmits to Secretary of Commerce.

7. Secretary of Commerce reviews and submits the plan and his recommendations to the White House, notifying the Federal Cochairman and review elements of his actions.

E. *Focus of Review by Review Elements*

1. *SAREC*–The review in SAREC considers the following:

   (a) Does the plan meet the minimum acceptable planning requirements outlined in Secretary of Commerce memorandum of January 10, 1968 to Director, Bureau of the Budget?

   (b) Does the plan meet the requirements of Section 307.5 in Title 13 of the Code of Federal Regulations published July 14, 1967?

   (c) Does the plan respond to written guidance from the Secretary of Commerce beginning with his memorandum of January 28, 1970?

2. *Assistant Secretary for Economic Development*–Review by this office should include:

   (a) Are the Commission's projections consistent with national trends, EDA information regarding conditions in the region, and public investment payoffs?

   (b) How do EDA plans for redevelopment areas and districts relate to the regional plan?

   (c) What are the opportunities for mutually-supportive coordination between EDA activities and the programs proposed in the plan?

3. *DOC Intradepartmental Committee*–Members review the plan from the standpoint of their agency expertise, identifying potential contributions to the plan's goals and objectives. (List of member agencies attached.)

4. *FACRED*–FACRED review should be concerned principally with policy considerations and improvement of coordination. (List of member agencies attached.)

   (a) Review for conflicts in authority, jurisdiction, and legislation.

(b) Review for priorities and timing from the standpoint of the agency.

(c) Review for relationship to existing policies of the agency.

(d) Review to identify and make recommendations on national policy needs revealed by the plan.

5. *Secretary of Commerce*—The Secretary's review concerns are principally two:

(a) Are there broad policy, authority, or jurisdictional problems that he must personally consider and decide upon or recommend action to the President and the Congress?

(b) How does he assess the priority of the claims of the Regional Commission on national resources with reference to other priority claims for these resources?

AUGUST 31, 1970

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